

**CITY OF WARREN, PENNSYLVANIA**

**AUDIT REPORT**

**DECEMBER 31, 2018**

# CITY OF WARREN, PENNSYLVANIA

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FELIX & GLOEKLER, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

## **Independent Auditor's Report**

To the City Council  
City of Warren, Pennsylvania

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Warren, Pennsylvania as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

## **Independent Auditor's Report (Continued)**

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Warren, Pennsylvania as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Independent Auditor's Report (Continued)**

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Warren, Pennsylvania's basic financial statements. The other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019 on our consideration of the City of Warren, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Warren, Pennsylvania's internal control over financial reporting and compliance.

*Felix and Gloekler, P.C.*

Felix and Gloekler, P.C.

June 25, 2019  
Erie, Pennsylvania

# **CITY OF WARREN, PENNSYLVANIA**

## **Management's Discussion and Analysis**

### **For the Year Ended December 31, 2018**

As management of the City of Warren, we offer readers of the City of Warren's financial statements this narrative overview and analysis of the financial activities of the City of Warren for the fiscal year ended December 31, 2018. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

## **Financial Highlights**

### **Government-wide Financial Statements**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$52,586,094 (net position). Of this amount, \$9,225,377 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.

### **Fund Financial Statements**

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,498,292. Approximately 72% of this total amount, \$3,962,543 is available for spending at the government's discretion (assigned and unassigned fund balances).
- The City's General Fund reported a positive fund balance of \$3,999,733 as of December 31, 2018 compared to a positive fund balance of \$3,504,303 as of December 31, 2017.

## **Overview of the Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position provides information on all the of the City's assets, liabilities and deferred inflows and outflows of resources with the difference between the four reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City of Warren is improving or deteriorating. Other factors to consider are changes in the City's property tax base, changes in the resident base, and the condition of the City's roads and bridges.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods, such as uncollected taxes, earned but unused vacation leave, accrued payroll, accrued interest on long-term debt, and intergovernmental receivables.

The government-wide financial statements distinguish functions of the City of Warren that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portions of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community development, building code enforcement, and culture and recreation. The business-type activities of the City include the operation of the sewage treatment plant and the operation of the parking lots and garage.

The City's government-wide financial statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the City (including infrastructure), as well as all liabilities (including long-term debt). Additionally, certain eliminations have been made in regard to internal activity, payables and receivables.

In the statement of net position and the statement of activities, we separate the City activities as follows:

**Governmental Activities** – Most of the City's basic services are reported in this category, including general government, fire, police, public works, building code enforcement, parks, recreation, and community services. Property and earned income taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

**Business-type Activities** – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's sewage treatment and parking activities are reported in this category.

## **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Unlike government-wide financial statements, the focus of fund financial statements is directed toward specific activities of the City. Except for the general fund, specific funds are established to satisfy managerial control over resources or to satisfy finance-related legal requirements. The City's fund financial statements are divided into three categories: 1) governmental funds, 2) proprietary funds, and 3) fiduciary funds.

## **Governmental Funds**

Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources available to spend in the near future to finance the City's programs. The differences of results in the governmental fund financial statements from those in the government-wide financial statements are explained in a reconciliation schedule following each governmental fund financial statement.



Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds to similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City of Warren adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. The City also adopts a budget for the capital improvement program fund, the sewer revenue fund, and the parking revenue fund.

### **Proprietary Funds**

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. For financial reporting purposes, proprietary funds are grouped into enterprise funds and internal service funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City uses enterprise funds to account for its wastewater utility and parking facilities. An internal service fund is used to account for the City's tax collection office.

### **Fiduciary Funds**

Assets held by the City for other parties, either as a trustee or an agent, and that cannot be used to finance the City's own operating programs are reported in the fiduciary funds. The City is the trustee, or fiduciary, for the City's three defined benefit pension plans. Fiduciary fund financial statements consist of a statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including a budgetary comparison schedule for the general fund, pension information, and postemployment benefit information. Other supplementary information includes a combining balance sheet and a combining statement of revenues, expenditures, and changes in fund balances for non-major governmental funds, and budgetary schedules for the sewer revenue fund and the parking revenue fund.

## Government-wide Financial Analysis

The following schedule is a summary of the statements of net position.

### City of Warren, Pennsylvania Net Position at December 31, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b><u>Assets</u></b>						
Current and other assets	\$ 5,872,229	\$ 5,491,854	\$ 6,431,549	\$ 5,814,159	\$ 12,303,778	\$ 11,306,013
Internal balances	434,777	421,753	(434,777)	(421,753)	-	-
Capital assets, net of depreciation	28,504,095	29,609,785	35,501,136	36,318,717	64,005,231	65,928,502
Total Assets	<u>34,811,101</u>	<u>35,523,392</u>	<u>41,497,908</u>	<u>41,711,123</u>	<u>76,309,009</u>	<u>77,234,515</u>
<b><u>Deferred Outflows of Resources</u></b>						
Deferred Outflows - pensions	1,193,266	-	-	-	1,193,266	-
Total Deferred Outflows	<u>1,193,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,193,266</u>	<u>-</u>
<b><u>Liabilities</u></b>						
Current and other liabilities	705,421	776,642	783,138	770,211	1,488,559	1,546,853
Long-term portion of liabilities	4,152,327	2,256,420	19,054,341	19,747,620	23,206,668	22,004,040
Total Liabilities	<u>4,857,748</u>	<u>3,033,062</u>	<u>19,837,479</u>	<u>20,517,831</u>	<u>24,695,227</u>	<u>23,550,893</u>
<b><u>Deferred Inflows of Resources</u></b>						
Deferred Inflows - pensions	-	374,207	-	-	-	374,207
Unearned revenues-spec assessments	220,954	216,496	-	-	220,954	216,496
Total Deferred Inflows	<u>220,954</u>	<u>590,703</u>	<u>-</u>	<u>-</u>	<u>220,954</u>	<u>590,703</u>
<b><u>Net Position</u></b>						
Net Investment in capital assets	27,257,994	27,540,029	15,746,637	15,875,056	43,004,631	43,415,085
Restricted	356,086	348,017	-	-	356,086	348,017
Unrestricted	3,311,585	4,011,581	5,913,792	5,318,236	9,225,377	9,329,817
Total Net Position	<u>\$ 30,925,665</u>	<u>\$ 31,899,627</u>	<u>\$ 21,660,429</u>	<u>\$ 21,193,292</u>	<u>\$ 52,586,094</u>	<u>\$ 53,092,919</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Warren, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$52,586,094 at the close of the most recent fiscal year.

A significant portion of the City's net assets (82%) reflects its investment in capital assets (land, buildings, improvements, infrastructure and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Resources of \$356,086 are subject to external restrictions for highway, street and building renovation projects. The balance of unrestricted net position of \$9,225,377 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current year, the City is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

The City's net position from governmental activities decreased \$973,962 from \$31,899,627 to \$30,925,665.

The City's net position from business-type activities increased \$467,137 from \$21,193,292 to \$21,660,429. Net investment in capital assets decreased \$128,419; unrestricted net position decreased \$595,556.

The following is a summary of the information presented in the statement of activities:

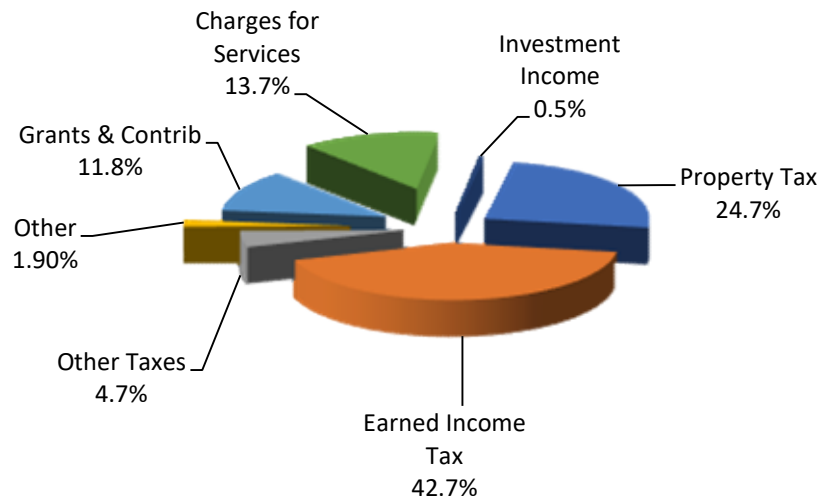
<b>City of Warren, Pennsylvania</b>						
Changes in Net Position for the Years Ended December 31, 2018 and 2017						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 1,237,502	\$ 1,125,447	\$ 3,048,082	\$ 3,123,778	\$ 4,285,584	\$ 4,249,225
Operating grants and contrib	855,275	1,053,567	-	-	855,275	1,053,567
Capital grants and contrib	213,766	447,762	-	7,012	213,766	454,774
General Revenues:						
Property taxes	2,230,793	2,329,796	-	-	2,230,793	2,329,796
Earned income tax	3,851,860	3,696,923	-	-	3,851,860	3,696,923
Other taxes	420,558	355,946	-	-	420,558	355,946
Investment income	43,576	141,293	87,461	27,903	131,037	169,196
Other	176,328	76,330	-	-	176,328	76,330
Total Revenues	9,029,658	9,227,064	3,135,543	3,158,693	12,165,201	12,385,757
<b>Expenses</b>						
Governmental Activities:						
General government	1,456,343	1,447,202	-	-	1,456,343	1,447,202
Public safety	5,187,375	3,934,768	-	-	5,187,375	3,934,768
Public works, culture/rec	2,388,745	2,411,720	-	-	2,388,745	2,411,720
Community development	556,551	125,948	-	-	556,551	125,948
Building code enforcement	402,445	437,186	-	-	402,445	437,186
Interest expense	216,317	79,472	-	-	216,317	79,472
Other	-	-	-	-	-	-
Business-type Activities:						
Sewer wastewater	-	-	1,971,341	2,014,953	1,971,341	2,014,953
Parking	-	-	492,909	465,405	492,909	465,405
Total Expenses	10,207,776	8,436,296	2,464,250	2,480,358	12,672,026	10,916,654
<b>Change in Net Position before other items</b>	(1,178,118)	790,768	671,293	678,335	(506,825)	1,469,103
Special Item					-	-
Transfers	204,156	178,419	(204,156)	(178,419)	-	-
Capital Contributions					-	-
Change in Net Position	(973,962)	969,187	467,137	499,916	(506,825)	1,469,103
Net Position, Beginning of Year	31,899,627	30,930,440	21,193,292	20,693,376	53,092,919	51,623,816
Prior Period Adjustments						
Net Position, End of year	\$ 30,925,665	\$ 31,899,627	\$ 21,660,429	\$ 21,193,292	\$ 52,586,094	\$ 53,092,919

The City's governmental activities in 2018 relied heavily upon earned income tax revenue (42.7%), property tax revenue (24.7%), grants and contributions (11.8%), and charges for services (13.7%) to fund operations. The tax rate for both real estate and earned income remained the same for 2018 after an increase in 2013. The real estate rate is 19.8 mills; earned income is 2.2% (2.7% including the school district rate of .5%) for City residents. Although real estate tax revenue was slightly lower than the previous year, overall tax revenue closely mirrored 2017 with a slight increase of 1.9%. A 1.5% increase in charges for services was primarily attributed to an increase in emergency services revenue received, as well as an increase in recycling fees and recreational user fees.

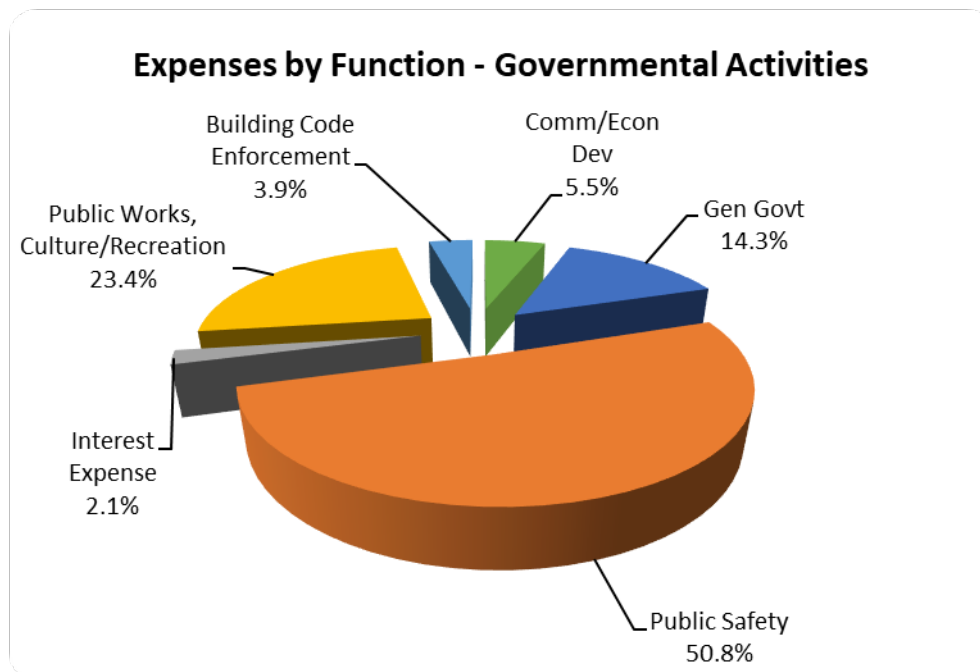
The cost of governmental activities totaled \$10,207,776 for the year ended December 31, 2018. Removing the impact of the change in net pension liability, deferred inflows, and deferred outflows of \$952,564, governmental activities increased \$818,916, representing a 9% increase from the prior year primarily attributed to an increase in personnel services, legal services, contracted services, insurance costs, utility costs, maintenance & repair and other operational costs.

The following graph shows the composition of revenues by source for the City's governmental activities:

### Revenues by Source - Governmental Activities



The following graph presents governmental expenses by function:



## Capital Assets

The City's investment in capital assets for governmental and business-type activities as of December 31, 2018, amounts to \$43,004,631 (net of accumulated depreciation). This investment in capital assets includes land and buildings, machinery and equipment, vehicles, the sewer system, infrastructure and construction in progress.

Major capital asset events during the current fiscal year include the following:

- The Police Department purchased two 2018 Ford Explorer Police Utility Interceptor patrol cars at a cost of \$83,024.
- The Police Department also purchased a Video Storage Unit \$25,998; Watchguard Evidence Library software \$7,800; (8) Body Cameras/Video DVR system \$36,400.
- The Fire Department purchased a Thermal Imager Camera Kit \$4,439; Stryker Ambulance Stretcher \$5,476; and Vehicle Rescue Strut Equipment \$9,364. These purchases were offset with PEMA-FCEMS state grant proceeds.
- The Fire Department also purchased 17 sets of Turnout Gear and various Fire Hoses at a cost of \$43,102 to replace those damaged in a commercial fire. This purchase was offset with insurance proceeds.
- The Department of Public Works purchased a 2018 Vermeer Brush Chipper at a cost of \$35,784 and a Bomag Roller at a cost of \$34,835.

- Other items of equipment purchased by the Department of Public Works include Pool Filter Pump at \$2,527 and three Pool Lifeguard Chairs \$10,177; Street Pedestrian Crossing Signal at a cost of \$4,650.
- The Codes Department purchased a Toshiba Copier and HP Business Desktop at a total cost of \$7,325.
- A Lennox Cooling system was installed in the Municipal Building for the police department at a cost of \$7,327.
- A multi-year Bird View Pavilion Gazebo and Concrete Sidewalk project was completed at a total cost of \$270,813. This project was partially funded by a DCNR grant, Act 57 proceeds, as well as private contributions.
- Equipment purchased on capital leases was a Toshiba e-Studio Copier in the amount of \$11,877 and (50) Zito Phones in the amount of \$8,500. The term for both leases is 60 months.
- Sewer fund equipment purchases included an Envirosight Rover Camera at a cost of \$85,500 and an AC Variable Speed Drive/Raw Pump at a cost of \$4,960.
- Total City-wide building, equipment and machinery disposed in 2018 totaled \$221,031 (net of accumulated depreciation).

### **Long-Term Liabilities**

At the end of the current fiscal year, the City had revenue and general obligation notes that totaled \$1,398,234; compensated absences totaled \$418,685; other postemployment benefits totaled \$145,160; capital leases totaled \$112,743. Included in the revenue and general obligation note balance are two notes obtained in 2010 for Streetscape Project funding and for capital equipment purchases. The balance outstanding at year end for the 2017 Pennvest sewer treatment plant upgrade construction project totaled \$19,679,669. The City's total long-term liabilities decreased \$881,239.

### **General Fund Budgetary Highlights**

Significant revenue differences between the final budget and actual amounts included a negative variance in taxes, primarily due to the collection of earned income tax and local services tax slightly lower than budgeted. A positive balance is reflected in license and permit revenue which includes vendor/event permits, street/curb permits, and building permits/inspections. Intergovernmental revenue also reports a positive balance which includes an increase in pension state aid and PENNDOT winter maintenance, as well the receipt of a PEMA firefighter grant, a recycling performance grant, and numerous smaller grants. Interest, rents & royalties includes an increase in interest earnings, and proceeds were received for timbering of park trees. Charge for Services revenue also reflects a positive variance primarily due to an increase in recycling fees received, increased EMS fees received, and parks/pool/recreation user fees.

Total general fund operating expenditures for the year were at 84.9% of budget.

Significant expenditure variances were:

- Wages and benefit costs were 7.4% less than budgeted.
- Supplies were 25.3% less than budgeted and include office, training, cleaning, and highway supplies.
- Property and liability insurance were 3.5% higher than budgeted.
- Utility expense (telephone, electricity, gas, sewer, water and solid waste disposal) was 9.3% over budget. All utilities experienced an increase except for sewer and natural gas expense which was significantly under budget.
- Training and education were 12.9% below budget.
- Capital equipment purchases were budgeted at \$350,000; however, only \$321,570 was spent as some purchases were reallocated in the next year.

#### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the City of Warren closely parallels the county seasonally adjusted rate of 4.8% at year end – lower than one year ago at 5.3% but higher than both the national (3.9%) and the state (4.2%). Warren County's rate is nearly the lowest in the region. Rates for Bradford and Erie were both 5.1% and 4.7% respectively. Forest County experienced a rate of 6.2%; 4.7% in Meadville and 4.9% in Oil City.
- Figures from the 2010 census show that the City of Warren has lost 5.4% of its population since the 2000 census from 10,259 to approximately 9,710. 2015 estimates projected that the population fell further to 9,400. This trend is mirrored by other northwestern Pennsylvania municipalities of similar size. The primary reason for the decline has been job loss. The new census data revealed that Warren County has one of the oldest populations in the state (5<sup>th</sup> out of 67 counties) and is one of 13 counties in the state to experience population loss of greater than 5% since the 2010 census; 18.7% of county residents are over age 65, partly due to the fact that young people do not return to the area after college. Only 19.7% of Warren County's population was under the age of 18 in 2015. Statistics show a total population of 40,396 in 2015 – a 3.4% drop since the last census in 2010 at 41,815. 2018 marks the second year where the county's population has dipped below 40,000 – estimates had the county's population in 2017 dropping to 39,677 from 40,017. The 2018 data includes an additional decrease of 169 people.
- Investment rates were up considerably at 2.19% up to 2.50% yield on the City's liquid investments with Pennsylvania Local Government Trust (PLGIT) at year end compared to 1.09% - 1.31% at December 2017. Certificate of deposit rates also increased averaging 2.61% for 90-180 day CD rates compared to 1.55%; 365-day rates were 2.85% compared to 1.80% a year ago. PLGIT Term rates reflect similar increases: 90-180 day 2.76% at December 2018 compared to 1.69% at December 2017. 365-day rates 2.90% compared to 1.88%.

These factors, as well as factors including infrastructure costs, public safety costs, employee-related costs for healthcare, pensions, wages, and cuts in state and federal aid, were considered in preparing the City of Warren's budget for the 2019 fiscal year. The last few years have seen a pattern of appropriating the City's fund balance to balance the operational budget. However, due to the Gro-Warren loan settlement and subsequent DCED forgiveness of the remaining loan balance, the City experienced a 3.15% increase in general fund balance at year end for 2017 following a 3.5% decrease in 2016. Likewise, the City experienced a 14.1% increase in general fund balance at year end 2018. The City appropriated \$450,427 fund balance to balance its 2019 operational fiscal budget; fund balance of \$1,308,420 was appropriated in the 2019 budget to fund scheduled Capital Improvement Projects.

Highlights of the 2019 fiscal budget include:

- Earned income tax revenue is projected to remain stable with an increase of \$19,500 budgeted in 2019. There are no changes to real estate tax, local services tax or real estate transfer tax revenue in the 2019 budget.
- Employee wage and benefit costs (net of pension) are projected to decrease 2.18% across all funds for 2019 due to a shift of younger employees at entry level positions and decreased benefit costs. Overall, health insurance rates reflect a 6.4% increase for 2019 even though union contracts negotiated for years 2018 thru 2020 resulted in increased cost sharing by employees. The I.A.F.F. collective bargaining agreement expired on December 31, 2017 and is currently still in arbitration at 2018 year end.
- The Minimum Municipal Obligation (MMO) expense for the City's pension plans contains a 3.2% decrease for 2019 but again reflects a substantial increase over and above the expected pension state aid in 2019.
- Included in the 2018 budget, the City was awarded a grant by the PA Dept of Community and Economic Development (DCED) for participation in the Early Intervention Program for staff assistance with financial planning and trending analysis, as well as a view of operations to determine cost saving measures that could be implemented. With this grant, the City will receive a 50% offset of the \$84,000 expense allocation. However, this project was again appropriated in the 2019 budget as it was not completed in 2018 as expected.
- A total of \$280,000 was appropriated for street resurfacing for the 2019 summer season to be funded by state appropriated Liquid Fuels funds. An additional \$200,000 has been appropriated to street resurfacing plus \$440,000 for concrete streets utilizing assigned fund balance. Also, \$120,000 has been reallocated from the general fund and \$40,000 from the sewer fund to rebuild the concrete intersection at Lexington Avenue and Parker Street. Funding of \$70,000 was allocated for the engineering design for a streetscape project in the 200 block of Pennsylvania Avenue.
- Community Development Block Grant (CDBG) funding of \$250,000 was again appropriated for reconstruction of the curb, sidewalk, railing and retaining wall on Park Avenue, as well as \$25,000 of assigned general fund balance.



- The City continues to take an aggressive approach to upgrade its parks and playgrounds in order to bring them into compliance with the Americans with Disabilities Act (ADA). Included in the budget is \$30,000 for Lacy Park playground improvements and \$330,000 for Crescent Park's healing garden walking trail. Partial funding includes Pennsylvania Department of Conservation and Natural Resources (DCNR) as well as local contributions.
- Funds of \$80,000 has been appropriated for dredging at the Third Avenue Bridge area. Also, \$75,000 has been appropriated for the Glade Run levee rehabilitation, right-of-way and relocation project.
- The City's Pridewalk program resurrected in 2017 is winding down and includes an appropriation of \$17,000 to partially reimburse residents for sidewalk replacement costs for remaining sidewalks committed in 2017-2018.
- A computer network server and scheduled computer replacements in the amount of \$40,000 are included in the Admin & Finance budget.
- Included in the Police Department budget is \$40,000 for the purchase of radio equipment, \$24,500 for the purchase of tasers and \$41,400 for a network server, camera upgrade and computer desktops. Also included is \$40,000 for a police vehicle.
- Included in the Fire Department budget is \$55,000 for the purchase of radio equipment.
- Appropriations to continue the City's contracted services for grass cutting and snow removal for most City properties are included in the 2019 budget.
- Included in the Public Works budget is \$136,000 for the purchase of a five-ton dump truck and salt spreader. Projected equipment purchases for various parks/playgrounds total \$14,500. Also, \$15,000 has been appropriated to replace the DPW garage doors.
- An appropriation of \$200,297 is included in the Public Works budget for the purchase of a trommel screen to be used at the City's compost site. A DEP recycling reimbursement grant in the amount of \$180,877 will offset most of the cost of the screen.
- Contributions of \$36,200 are included to assist various agencies that have submitted funding requests.
- Funds of \$22,300 were budgeted in the Parking Fund for the purchase of additional street meters, as well as parking enforcement equipment. Also included is \$8,000 for a parking enforcement vehicle.
- An appropriation of \$50,000 is included in the CIP budget for a parking garage study.
- Included in the Sewer Fund is \$60,000 for the purchase of a skid steer.
- A Clark Street Pump Station Outfall project is scheduled to begin in 2019 and \$100,000 has been appropriated for this project in the sewer fund budget.

## **Requests for Information**

This financial report is designed to provide a general overview of the City of Warren's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Warren Finance Office, 318 West Third Avenue, Warren, PA 16365.

**CITY OF WARREN, PENNSYLVANIA**  
**Statement of Net Position**  
**December 31, 2018**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 4,529,931	\$ 5,857,713	\$ 10,387,644
Restricted cash	100,381	-	100,381
Receivable, net	205,280	539,649	744,929
Taxes receivable, net	413,453	-	413,453
Intergovernmental receivable, net	623,006	34,187	657,193
Prepaid items	178	-	178
Interfund receivable	434,777	(434,777)	-
Total Current Assets	6,307,006	5,996,772	12,303,778
Non-current Assets			
Capital assets:			
Assets not being depreciated	998,044	74,505	1,072,549
Assets being depreciated, net	27,506,051	35,426,631	62,932,682
Total Non-current Assets	28,504,095	35,501,136	64,005,231
Total Assets	34,811,101	41,497,908	76,309,009
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pensions	1,193,266	-	1,193,266
Total Assets and Deferred Outflows of Resources	\$ 36,004,367	\$ 41,497,908	\$ 77,502,275
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 133,879	\$ 69,549	\$ 203,428
Accrued liabilities	94,317	-	94,317
Intergovernmental payable	91,817	-	91,817
Interest payable	-	16,400	16,400
Other liabilities	16,404	-	16,404
Compensated absences	149,944	5,104	155,048
Capital leases payable	38,959	58,430	97,389
Notes payable	180,101	633,655	813,756
Total Current Liabilities	705,421	783,138	1,488,559
Non-Current Liabilities			
Compensated absences	255,310	8,327	263,637
Capital leases payable	15,354	-	15,354
Notes payable	1,218,133	19,046,014	20,264,147
OPEB obligation	145,160	-	145,160
Net pension liability	2,518,370	-	2,518,370
Total Non-Current Liabilities	4,152,327	19,054,341	23,206,668
Total Liabilities	4,857,748	19,837,479	24,695,227
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenues-special assessments	220,954	-	220,954
Total Deferred Inflows	220,954	-	220,954
<b>NET POSITION</b>			
Net investment in capital assets	27,257,994	15,746,637	43,004,631
Restricted for:			
Liquid fuels	319,074	-	319,074
Streetscape project	37,012	-	37,012
Unrestricted	3,311,585	5,913,792	9,225,377
Total Net Position	\$ 30,925,665	\$ 21,660,429	\$ 52,586,094

The notes to the financial statements are an integral part of these statements.

# CITY OF WARREN, PENNSYLVANIA

## Statement of Activities

For the Year Ended December 31, 2018

		Program Revenues		
		Operating Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Functions/Programs</u>	<u>Expenses</u>			
<u>Governmental Activities:</u>				
General government	\$ 1,456,343	\$ 222,705	\$ 126,478	\$ -
Public safety	5,187,375	411,831	334,068	-
Public works	1,791,152	310,389	394,729	49,050
Culture and recreation	597,593	146,065	-	-
Community development	556,551	-	-	164,716
Building code enforcement	402,445	146,512	-	-
Interest expense	216,317	-	-	-
Total Governmental Activities	10,207,776	1,237,502	855,275	213,766
<u>Business-Type Activities:</u>				
Sewer	1,971,341	2,580,982	-	-
Parking	492,909	467,100	-	-
Total Business-Type Activities	2,464,250	3,048,082	-	-
Total	\$ 12,672,026	\$ 4,285,584	\$ 855,275	\$ 213,766

The notes to the financial statements are an integral part of these statements.

Net (Expense)/Revenue and Changes in Net Position		
Governmental Activities	Business- Type Activities	Total
\$ (1,107,160)	\$ -	\$ (1,107,160)
(4,441,476)	-	(4,441,476)
(1,036,984)	-	(1,036,984)
(451,528)	-	(451,528)
(391,835)	-	(391,835)
(255,933)	-	(255,933)
(216,317)	-	(216,317)
(7,901,233)	-	(7,901,233)
-	609,641	609,641
-	(25,809)	(25,809)
-	583,832	583,832
(7,901,233)	583,832	(7,317,401)

General Revenues:

Taxes			
Property tax	2,230,793	-	2,230,793
Earned income tax	3,851,860	-	3,851,860
Local services tax	320,836	-	320,836
Realty transfer tax	93,213	-	93,213
Utility tax	6,509	-	6,509
Investment earnings	43,576	87,461	131,037
Transfers in/(out)	204,156	(204,156)	-
Gain/(Loss) on sale of fixed assets	(228,479)	-	(228,479)
Miscellaneous revenues	404,807	-	404,807
Total General Revenues	6,927,271	(116,695)	6,810,576
Change in Net Position	(973,962)	467,137	(506,825)
Net Position, Beginning of Year	31,899,627	21,193,292	53,092,919
Net Position, End of Year	\$ 30,925,665	\$ 21,660,429	\$ 52,586,094

# CITY OF WARREN, PENNSYLVANIA

## Balance Sheet Governmental Funds December 31, 2018

	General Fund	Warren Redevelopment Assistance Loan Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,403,532	\$ 667,974	\$ 330,585	\$ 4,402,091
Restricted cash	100,381	-	-	100,381
Receivable, net	205,244	-	-	205,244
Taxes receivable, net	413,453	-	-	413,453
Intergovernmental receivable, net	2,723	500,000	120,283	623,006
Prepaid items	178	-	-	178
Interfund receivable	567,765	-	-	567,765
<b>Total Assets</b>	<b>\$ 4,693,276</b>	<b>\$ 1,167,974</b>	<b>\$ 450,868</b>	<b>\$ 6,312,118</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 110,525	\$ -	\$ 23,288	\$ 133,813
Accrued liabilities	94,317	-	-	94,317
Interfund payable	-	-	96,995	96,995
Other liabilities	16,404	-	-	16,404
<b>Total Liabilities</b>	<b>221,246</b>	<b>-</b>	<b>120,283</b>	<b>341,529</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	251,343	-	-	251,343
Unavailable revenue - special assessments	220,954	-	-	220,954
<b>Total Deferred Inflows of Resources</b>	<b>472,297</b>	<b>-</b>	<b>-</b>	<b>472,297</b>
<b>FUND BALANCE</b>				
Nonspendable:				
Prepaid items	178	-	-	178
Restricted:				
Liquid fuels	-	-	319,074	319,074
Streetscape project	37,012	-	-	37,012
Committed:				
Economic development funding	-	1,167,974	-	1,167,974
Glade floodway	-	-	11,511	11,511
Assigned:				
Community improvement projects	1,308,420	-	-	1,308,420
Equipment	549,410	-	-	549,410
Operations	450,427	-	-	450,427
Parking Fund	209,156	-	-	209,156
Unassigned	1,445,130	-	-	1,445,130
<b>Total Fund Balance</b>	<b>3,999,733</b>	<b>1,167,974</b>	<b>330,585</b>	<b>5,498,292</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 4,693,276</b>	<b>\$ 1,167,974</b>	<b>\$ 450,868</b>	<b>\$ 6,312,118</b>

The notes to the financial statements are an integral part of these statements.

**CITY OF WARREN, PENNSYLVANIA**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2018**

Differences in amounts reported for governmental activities in the Statement of Net Position

Fund balances - governmental funds	\$	5,498,292
Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the governmental funds		28,504,095
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		1,193,266
Certain long-term assets are not available to pay current period expenditures and, therefore, are unearned in the funds-Unavailable revenue-Property taxes		251,343
Other post-employment benefits are reflected on the Statement of Net Position, but are not considered a current expenditure for the fund statements		(145,160)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Notes payable	\$	(1,398,234)
Capital leases payable		(54,313)
Net pension (liability)/asset		(2,518,370)
Compensated absences		(405,254)
		<u>(4,376,171)</u>
Net position of governmental activities	\$	<u><u>30,925,665</u></u>

The notes to the financial statements are an integral part of these statements.

**CITY OF WARREN, PENNSYLVANIA**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2018**

	General Fund	Warren Redevelopment Assistance Loan Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 6,485,819	\$ -	\$ -	\$ 6,485,819
Intergovernmental	555,343	-	524,807	1,080,150
Charges for services	559,566	-	-	559,566
Interest, rents and royalties	28,922	4,891	9,763	43,576
Licenses and permits	501,212	-	-	501,212
Fines and forfeits	73,938	-	-	73,938
Other	305,409	-	5,000	310,409
Total Revenues	<u>8,510,209</u>	<u>4,891</u>	<u>539,570</u>	<u>9,054,670</u>
<b>EXPENDITURES</b>				
General government	1,084,445	-	-	1,084,445
Public safety	4,208,859	-	-	4,208,859
Public works	1,540,364	-	-	1,540,364
Culture and recreation	560,028	-	-	560,028
Community development	92,042	60,000	662,099	814,141
Building code enforcement	372,368	-	-	372,368
Debt service	-	-	388,111	388,111
Total Expenditures	<u>7,858,106</u>	<u>60,000</u>	<u>1,050,210</u>	<u>8,968,316</u>
Excess of revenues over expenditures	<u>652,103</u>	<u>(55,109)</u>	<u>(510,640)</u>	<u>86,354</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan settlement	145,010	-	-	145,010
Capital lease proceeds	20,377	-	-	20,377
Transfers in	516,878	-	838,938	1,355,816
Transfers out	(838,938)	-	(312,722)	(1,151,660)
Total Other Financing Sources (Uses)	<u>(156,673)</u>	<u>-</u>	<u>526,216</u>	<u>369,543</u>
Net Change in Fund Balance	495,430	(55,109)	15,576	455,897
Fund Balances, Beginning of Year	<u>3,504,303</u>	<u>1,223,083</u>	<u>315,009</u>	<u>5,042,395</u>
Fund Balances, End of Year	<u>\$ 3,999,733</u>	<u>\$ 1,167,974</u>	<u>\$ 330,585</u>	<u>\$ 5,498,292</u>

The notes to the financial statements are an integral part of these statements.



**CITY OF WARREN, PENNSYLVANIA**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balance of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2018**

Net change in fund balances - total governmental funds	\$	455,897
Capital outlay, reported as expenditures in the governmental funds, are shown as capital assets in the Statement of Net Position		455,819
The net effect of various miscellaneous transactions involving capital assets (i.e. disposal of assets) is to decrease net position		(228,479)
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities		(906,192)
Certain activities reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as revenues in the governmental funds-Unavailable revenue-Property taxes		10,883
Deferred outflows are not reflected in the fund statements as they are related to future pension obligations		1,567,473
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds.</p> <p>Neither transaction, however, has any effect on net position.</p> <p>In the current year these amounts are:</p>		
Payments on notes payable	\$	171,794
Lease proceeds		(20,377)
Payments on capital lease payable		38,954
Change in compensated absences		(2,906)
Change in net pension liability		(2,520,037)
Change in other post-employment benefits		3,209
		<u>(2,329,363)</u>
Change in net position of governmental activities	\$	<u><u>(973,962)</u></u>

The notes to the financial statements are an integral part of these statements.

# CITY OF WARREN, PENNSYLVANIA

## Statement of Net Position

### Proprietary Funds

December 31, 2018

	Business-Type Activities			Governmental Activities
	Sewer Fund	Parking Fund	Total Enterprise Funds	Internal Service Fund
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 5,752,594	\$ 105,119	\$ 5,857,713	\$ 127,840
Receivable, net	533,897	5,752	539,649	36
Intergovernmental receivable, net	34,187	-	34,187	-
Total Current Assets	6,320,678	110,871	6,431,549	127,876
Non-Current Assets				
Capital Assets:				
Land	25,165	21,630	46,795	-
Construction in progress	27,710	-	27,710	-
Assets being depreciated, net	27,459,973	7,966,658	35,426,631	-
Total Capital Assets, Net	27,512,848	7,988,288	35,501,136	-
Total Assets	\$ 33,833,526	\$ 8,099,159	\$ 41,932,685	\$ 127,876
<b>LIABILITIES AND NET POSITION</b>				
Liabilities				
Current Liabilities				
Accounts payable	\$ 64,561	\$ 4,988	\$ 69,549	\$ 66
Interest payable	16,400	-	16,400	-
Intergovernmental payable	-	-	-	91,817
Interfund payable	76,198	358,579	434,777	35,993
Compensated absences	5,104	-	5,104	-
Capital lease payable	12,010	46,420	58,430	-
Note payable	633,655	-	633,655	-
Total Current Liabilities	807,928	409,987	1,217,915	127,876
Non-Current Liabilities				
Compensated absences	8,327	-	8,327	-
Note payable	19,046,014	-	19,046,014	-
Total Non-Current Liabilities	19,054,341	-	19,054,341	-
Total Liabilities	19,862,269	409,987	20,272,256	127,876
<b>NET POSITION</b>				
Net investment in capital assets	7,804,769	7,941,868	15,746,637	-
Unrestricted	6,166,488	(252,696)	5,913,792	-
Total Net Position	13,971,257	7,689,172	21,660,429	-
Total Liabilities and Net Position	\$ 33,833,526	\$ 8,099,159	\$ 41,932,685	\$ 127,876

The notes to the financial statements are an integral part of these statements.

**CITY OF WARREN, PENNSYLVANIA**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2018**

	Business-Type Activities			Governmental Activities
	Sewer Fund	Parking Fund	Total Enterprise Funds	Internal Service Fund
Operating Revenues				
Charges for services	\$ 2,580,982	\$ 467,100	\$ 3,048,082	\$ 47,574
Total Operating Revenues	2,580,982	467,100	3,048,082	47,574
Operating Expenses				
Salaries and wages	343,876	68,008	411,884	27,398
Employee benefits	123,316	26,195	149,511	18,380
Supplies	103,283	15,858	119,141	330
Sludge removal	164,823	-	164,823	-
Utilities	172,233	25,372	197,605	467
Other	207,702	91,921	299,623	999
Depreciation	655,855	263,596	919,451	-
Total Operating Expenses	1,771,088	490,950	2,262,038	47,574
Operating Income (Loss)	809,894	(23,850)	786,044	-
Non-Operating Revenues (Expenses)				
Investment earnings	87,016	445	87,461	-
Interest expense	(200,253)	(1,959)	(202,212)	-
Gain/(Loss) on sale of asset	-	-	-	-
Transfers out	(66,410)	(137,746)	(204,156)	-
Total Non-Operating Revenue (Expenses)	(179,647)	(139,260)	(318,907)	-
Change in Net Position	630,247	(163,110)	467,137	-
Net Position, Beginning of Year	13,341,010	7,852,282	21,193,292	-
Net Position, End of Year	\$ 13,971,257	\$ 7,689,172	\$ 21,660,429	\$ -

The notes to the financial statements are an integral part of these statements.

# CITY OF WARREN, PENNSYLVANIA

## Statement of Cash Flows

### Proprietary Funds

For the Year Ended December 31, 2018

	Business-Type Activities			Governmental Activities
	Sewer Fund	Parking Fund	Total Enterprise Funds	Internal Service Fund
Cash flows from operating activities:				
Cash receipts from customers	\$ 2,584,330	\$ 465,410	\$ 3,049,740	\$ 47,538
Cash payments to suppliers for goods and services	(430,716)	(40,640)	(471,356)	(998)
Cash payments to employees for services	(450,578)	(99,719)	(550,297)	(22,799)
Cash payments for other operating expenses	(207,702)	(91,921)	(299,623)	(999)
Net cash provided by (used by) operating activities	<u>1,495,334</u>	<u>233,130</u>	<u>1,728,464</u>	<u>22,742</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	(66,410)	(137,746)	(204,156)	-
Net cash used by noncapital and related activities	<u>(66,410)</u>	<u>(137,746)</u>	<u>(204,156)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets/loss on disposal	(100,070)	(1,800)	(101,870)	-
Principal payments on note/lease	(639,279)	(49,360)	(688,639)	-
Interest paid on debt	(200,253)	(1,959)	(202,212)	-
Net cash used by capital and related financing activities	<u>(939,602)</u>	<u>(53,119)</u>	<u>(992,721)</u>	<u>-</u>
Cash flows from investing activities:				
Interest income	87,016	445	87,461	-
Net cash provided by investing activities	<u>87,016</u>	<u>445</u>	<u>87,461</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	576,338	42,710	619,048	22,742
Cash and cash equivalents, January 1, 2018	<u>5,176,256</u>	<u>62,409</u>	<u>5,238,665</u>	<u>105,098</u>
Cash and cash equivalents, December 31, 2018	<u>\$ 5,752,594</u>	<u>\$ 105,119</u>	<u>\$ 5,857,713</u>	<u>\$ 127,840</u>
Reconciliation of operating income to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ 809,894	\$ (23,850)	\$ 786,044	\$ -
Adjustment to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	655,855	263,596	919,451	-
Changes in assets, liabilities, and deferred inflows				
(Increase) decrease in receivable	1,097	(1,690)	(593)	(36)
(Increase) decrease in intergovernmental receivable	2,251	-	2,251	-
Increase (decrease) in accounts payable	10,146	590	10,736	(201)
Increase (decrease) in compensated absences	(1,926)	-	(1,926)	-
Increase (decrease) in intergovernmental payable	-	-	-	23,494
Increase (decrease) in interest payable	(523)	-	(523)	-
Increase (decrease) in interfund payable	18,540	(5,516)	13,024	(515)
Net cash provided by (used by) operating activities	<u>\$ 1,495,334</u>	<u>\$ 233,130</u>	<u>\$ 1,728,464</u>	<u>\$ 22,742</u>

The notes to the financial statements are an integral part of these statements.

# **CITY OF WARREN, PENNSYLVANIA**

## **Statement of Fiduciary Net Position**

### **Pension Trusts**

**December 31, 2018**

#### **ASSETS**

Cash and cash equivalents	\$ 81,861
Investments	<u>16,485,979</u>
Total Assets	<u>\$ 16,567,840</u>

#### **LIABILITIES**

Accounts payable	<u>\$ 1,136</u>
Total Liabilities	<u>1,136</u>

#### **NET POSITION**

Net position held in trust for pension benefits	<u>16,566,704</u>
Total Net Position	<u>16,566,704</u>
Total Liabilities and Net Position	<u>\$ 16,567,840</u>

The notes to the financial statements are an integral part of these statements.

**CITY OF WARREN, PENNSYLVANIA**  
**Statement of Changes in Fiduciary Net Position**  
**Pension Trusts**  
**For the Year Ended December 31, 2018**

Additions:	
Contributions	
Employer	\$ 695,695
Plan members	<u>92,606</u>
Total	788,301
Investment income (loss), net	<u>(779,536)</u>
Total Additions	<u>8,765</u>
Deductions:	
Benefits	913,820
Management expense	<u>58,283</u>
Total Deductions	<u>972,103</u>
Change in Net Position	(963,338)
Net Position, Beginning of Year	<u>17,530,042</u>
Net Position, End of Year	<u><u>\$ 16,566,704</u></u>

The notes to the financial statements are an integral part of these statements.

**CITY OF WARREN, PENNSYLVANIA**  
**Notes to Financial Statements**  
**December 31, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Warren, Pennsylvania was incorporated in 1832, operating as a borough under the Borough code until December 31, 1977, when it changed to a Home Rule Municipality under the Home Rule Charter and Optional Plans Law, Pennsylvania Act 62 of 1972. On January 2, 1989, the Borough changed its name to the City of Warren. The City operates under a council-manager form of government and provides the following services as authorized by its charter: Public Safety – Police and Fire, Highways and Streets, Sanitation, Health and Social Services, Culture/Recreation, Public Improvements, Planning and Zoning, Code Enforcement, and General Administrative Services.

The City's financial statements include the accounts of all City operations. The criteria for including organizations within the City's reporting entity primarily include the degree of oversight responsibility maintained by the City Council. Examples of oversight responsibility include financial interdependency, selection of governing authority, designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

The City established the Redevelopment Authority of the City of Warren, whose purpose is to acquire and dispose of blighted properties within the City. Financial data for the Redevelopment Authority of the City of Warren is not included as a component unit in these financial statements because inclusion is immaterial to the City's basic financial statements. The Redevelopment Authority of the City of Warren has not issued separate financial statements for 2018.

**B. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

### D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

The Warren Redevelopment Assistance Loan fund is used to provide funding for start-up businesses and non-profit organizations created to improve the City of Warren.

The Capital Improvement Program fund accounts for governmental fund-type capital projects of the City.

The Community Development Block Grant fund accounts for federally funded programs of the City.

The Highway Aid fund accounts for monies received from the state and used for street and road projects.

The Glade Run Escrow fund accounts for funds held for the maintenance of Glade Run under an agreement with Department of Environmental Protection.

The Debt Service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.



## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following proprietary funds:

The Sewer Revenue fund accounts for activities of the City's sewage system. The City operates the sewage treatment plant and sewage pumping stations and collections systems.

The Parking Revenue fund accounts for the activities of the City's parking operations.

Additionally, the City reports the following fund types:

The Internal Service fund accounts for services provided to other departments of the City, or to other governments, on a cost reimbursement basis.

The Fiduciary funds account for the activities of the City's pension funds, which accumulates resources for pension benefit payments to qualified employees.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

### E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary and pension trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

### F. Budgetary Information

The City follows these procedures in establishing the budget:

1. In accordance with the City's Home Rule Charter, on or before 45 days prior to December 31, the City Manager submits a proposed budget and an accompanying message to the City Council for the ensuing year. The message explains the budget both in fiscal terms and in terms of programs, policies, activities, and plans. The budget document provides a financial plan of the general fund, the capital improvement fund, the sewer revenue fund, and the parking revenue fund for the upcoming year and is balanced in that the total of proposed expenditures does not exceed total estimated revenues. The budget is in such form as the City Manager deems desirable.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. A public hearing is conducted to obtain taxpayer comment.
3. Prior to December 31, the budget is legally enacted by resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general fund, the capital improvement fund, and the enterprise funds.
5. Adoption of the budget constitutes the appropriation of the amounts specified in the general fund as expenditures.
6. Appropriations may be transferred within departments at any time during the year by the City Manager. City Council may, by resolution, transfer appropriations between departments. Appropriations may not be reduced below any amounts required by law or by more than the amount of unappropriated balance remaining.
7. Appropriations lapse at the end of each fiscal year unless encumbered.
8. City Council may authorize supplemental appropriations during the year.

The City does not provide a budget for its major special revenue fund, the Warren Redevelopment Assistance Loan fund, as the fund's revenues and expenditures relate only to the fund's loan activity.

### Excess of expenditures over appropriations

The budget for the parking revenue fund disclosed an excess of expenditures over appropriations of \$78,106 mainly due to depreciation expense not being budgeted for by the City. The amounts over expended were funded by prior year's accumulated fund balances.

### G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

#### 1. Cash and cash equivalents and investments

The government's cash and cash equivalents as used in the statement of cash flows are considered to be cash on hand, demand deposits, pooled for investment purposes in the Pennsylvania Local Government Investment Trust (PLGIT), and short-term investments with original maturities of three months or less from the date of acquisition.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pennsylvania statutes provide for investment of Governmental Funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Governmental Funds for investment purposes. Fiduciary Fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practices.

The deposit and investment policy of the City adheres to state statutes and prudent business practice. The investments of the Fiduciary Funds are administered by trustees and are held separately from those of other City funds.

### 2. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

### 3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. For infrastructure assets the same estimated minimum useful life is used (in excess of one year), but only those infrastructure projects that cost more than \$10,000 are reported as capital assets.

Capital assets in governmental activities acquired prior to December 31, 2002 are valued at acquisition costs provided by an industrial appraiser. Governmental capital assets purchased after December 31, 2002 are valued at cost. Governmental infrastructure assets acquired after December 31, 2003 are reported at cost. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets life are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Computers and software	5
Machinery and equipment	8-15
Vehicles	8
Improvements	15-20
Buildings	20-40
Infrastructure	50

### 4. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category. It is related to actuarially determined changes in the net pension liability recognized over future periods (see note 8 for further information).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of this item, which arise under a modified accrual basis of accounting and full accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental funds balance sheet and statement of net position. The governmental funds report unavailable revenues from two sources: property taxes, which is currently shown in the fund statements, and special assessments, which is shown in both the fund statements and government-wide statements. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### 5. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 6. Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### 7. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the director of finance to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### H. Revenues and expenditures/expenses

#### 1. Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

#### 2. Property taxes

The property tax is levied each June on the assessed valuation of property located in the City as of the preceding June. Assessed values are established annually by Warren County and are equalized by the State at an estimated 50% of current market value. Assessed valuation of taxable real estate amounted to \$112,699,588 at a tax rate of 19.8 mills. Taxes are paid at discount to September 30<sup>th</sup> and at par to November 30<sup>th</sup>. Taxes paid after November 30<sup>th</sup> are assessed a 10% penalty.

Unpaid property taxes are returned to the County Treasurer by the City on the last Monday in April. The property is levied at that time. Delinquent notices are sent in July. Taxpayers have until the following June to pay the balance. If unpaid by July 1, property is advertised for sale. The property is then posted in August and sold on the second Monday of September.

#### 3. Compensated absences and accumulated unpaid employee benefits

Unionized and nonunionized City employees generally earn sick leave at rates set forth in the respective union contracts. Sick leave accumulates on a monthly basis and is fully vested when earned. Accumulation policies vary depending on the contract.

#### 4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts.

#### 5. Credit risk

During the course of operations, the City grants credit to its customers, substantially all of whom are located in the City's area.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 6. Proprietary funds operating and nonoperating revenues and expenses.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund, parking fund, and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### I. Pronouncement Implemented

The City has adopted GASB 75, *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions* for the year ended December 31, 2018. The objective of this statement is to improve accounting and financial reporting for Postemployment Benefits Other Than Pensions. (OPEB)

### J. Future Pronouncements

The City will adopt GASB 87, *Leases* for the year ended December 31, 2020. The objective of this statement is to improve accounting and financial reporting for Leases.

The City will adopt GASB 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* for the year ended December 31, 2019. The objective of this statement is to help users have better information to understand the effects of debt on a government's future resource flows.

The City will adopt GASB 90, *Majority Equity Interests* for the year ended December 31, 2019. The objective of this statement is to improve financial reporting by providing users of financial statements with essential information related to the presentation of majority equity interests in legally separate organizations.

## NOTE 2 – CASH DEPOSITS AND INVESTMENTS – PRIMARY GOVERNMENT

### Primary Government:

#### Deposits

At December 31, 2018, the City's deposits, excluding the pension trust funds, are as follows:



NOTE 2 – CASH DEPOSITS AND INVESTMENTS – PRIMARY GOVERNMENT  
(CONTINUED)

	Bank	Book
Governmental Activities:		
Cash and cash equivalents	\$ 4,674,594	\$ 4,630,312
Business-Type Activities:		
Cash and cash equivalents	5,853,899	5,857,713
	<u>\$ 10,528,493</u>	<u>\$ 10,488,025</u>

Included in the governmental activities and business-type activities, unrestricted cash is the City's investment in PLGIT external investment pools, with total deposit of \$8,062,099 as of December 31, 2018. The City's investment in the investment pool is the same as the value of the pool shares and is reported at amortized cost, which approximate market. All investments in an external investment pool that are not SEC-registered are subject to oversight by the Commonwealth. The City can withdraw funds from the investment pools without limitation or fees.

*Custodial Credit Risk* – For a deposit, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of December 31, 2018, \$513,640 of the City's \$10,528,493 bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). Of the remaining bank balance, \$10,014,853 is collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name, and the remaining balance is uncollateralized and uninsured. These deposits have carrying amounts of \$10,488,025 as of December 31, 2018.

NOTE 3 – RECEIVABLES

Receivables as of December 31, 2018 for the government's individual major funds and nonmajor funds in the aggregate are as follows:

	General Fund	Sewer Fund	Parking Fund	Warren Redevelopment Assistance Loan Fund	Internal Service Fund	Capital Improvement Program	Total
Taxes	\$ 413,453	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 413,453
Intergovernmental	2,723	34,187	-	500,000	-	120,283	657,193
Other	242,997	729,585	5,752	-	36	-	978,370
Gross Receivables	659,173	763,772	5,752	500,000	36	120,283	2,049,016
Less: Allowance for Uncollectable	(37,753)	(195,688)	-	-	-	-	(233,441)
Net Receivables	<u>\$ 621,420</u>	<u>\$ 568,084</u>	<u>\$ 5,752</u>	<u>\$ 500,000</u>	<u>\$ 36</u>	<u>\$ 120,283</u>	<u>\$ 1,815,575</u>

## NOTE 3 – RECEIVABLES (CONTINUED)

### Reconciliation to Government-wide Statement of Net Position

Receivable	\$ 978,370
Allowance for uncollectible accounts	<u>(233,441)</u>
Receivable, net	<u><u>\$ 744,929</u></u>

The receivable in the Warren Redevelopment Assistance Loan Fund is related to West of Liberty Apartments and is not expected to be received within a one-year period.

## NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance January 1, 2018	Additions/ Adjustments	Deletions/ Adjustments	Balance December 31, 2018
<b>Governmental Activities</b>				
Capital Assets not Depreciated:				
Land	\$ 609,956	\$ -	\$ -	\$ 609,956
Construction in progress	353,131	88,964	(257,852)	184,243
Redevelopment properties	410,291	-	(206,446)	203,845
Total Capital Assets not Depreciated	<u>\$ 1,373,378</u>	<u>\$ 88,964</u>	<u>\$ (464,298)</u>	<u>\$ 998,044</u>
Capital Assets Depreciated:				
Infrastructure	\$ 25,995,097	\$ 92,678	\$ -	\$ 26,087,775
Buildings	5,300,099	185,462	-	5,485,561
Improvements other than buildings	2,988,088	18,139	(1,183)	3,005,044
Machinery and equipment, computers and software	2,244,483	245,404	(104,823)	2,385,064
Vehicles	2,125,084	83,024	(101,535)	2,106,573
Furnitures and fixtures	131,728	-	(1,008)	130,720
Total Assets Depreciated	<u>38,784,579</u>	<u>624,707</u>	<u>(208,549)</u>	<u>39,200,737</u>
Less Accumulated Depreciation:				
Infrastructure	(3,439,316)	(413,549)	-	(3,852,865)
Buildings	(2,856,591)	(130,314)	-	(2,986,905)
Improvements other than buildings	(1,505,324)	(98,494)	1,006	(1,602,812)
Machinery and equipment, computers and software	(1,188,746)	(143,071)	92,862	(1,238,955)
Vehicles	(1,499,958)	(118,302)	91,780	(1,526,480)
Furnitures and fixtures	(485,075)	(2,462)	868	(486,669)
Total Accumulated Depreciation	<u>(10,975,010)</u>	<u>(906,192)</u>	<u>186,516</u>	<u>(11,694,686)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 27,809,569</u>	<u>\$ (281,485)</u>	<u>\$ (22,033)</u>	<u>\$ 27,506,051</u>

# NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Balance January 1, 2018	Additions/ Adjustments	Deletions/ Adjustments	Balance December 31, 2018
<b>Business-Type Activities</b>				
Capital Assets not Depreciated:				
Land	\$ 46,795	\$ -	\$ -	\$ 46,795
Construction in progress	18,100	9,610	-	27,710
Total Capital Assets not Depreciated	<u>\$ 64,895</u>	<u>\$ 9,610</u>	<u>\$ -</u>	<u>\$ 74,505</u>
Capital Assets Depreciated:				
Buildings and improvements	\$ 5,770	\$ -	\$ -	\$ 5,770
Sewer treatment plant	26,155,219	-	-	26,155,219
Sewer machinery and equipment	466,292	90,460	-	556,752
Sewer collection system	2,917,085	-	-	2,917,085
Vehicles	498,635	-	-	498,635
Furniture and fixtures	342	-	-	342
Parking garage	9,570,275	-	-	9,570,275
Parking lots and parking equipment	1,140,732	1,800	-	1,142,532
Total Assets Depreciated	<u>40,754,350</u>	<u>92,260</u>	<u>-</u>	<u>40,846,610</u>
Less Accumulated Depreciation:				
Buildings and improvements	(357)	(288)	-	(645)
Sewer treatment plant	(527,025)	(527,025)	-	(1,054,050)
Sewer machinery and equipment	(219,977)	(38,579)	-	(258,556)
Sewer collection system	(935,794)	(48,905)	-	(984,699)
Vehicles	(334,566)	(41,037)	-	(375,603)
Furniture and fixtures	(258)	(22)	-	(280)
Parking garage	(2,310,322)	(192,565)	-	(2,502,887)
Parking lots and parking equipment	(172,229)	(71,030)	-	(243,259)
Total Accumulated Depreciation	<u>(4,500,528)</u>	<u>(919,451)</u>	<u>-</u>	<u>(5,419,979)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 36,253,822</u>	<u>\$ (827,191)</u>	<u>\$ -</u>	<u>\$ 35,426,631</u>

#### NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

##### Governmental Activities:

General government	\$ 462,158
Public safety	208,424
Public works	154,053
Culture and recreation	72,495
Community development	4,531
Building code enforcement	<u>4,531</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 906,192</u></u>

##### Business-Type Activities:

Depreciation	
Sewer fund	\$ 655,855
Parking fund	<u>263,596</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 919,451</u></u>

#### NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2018 is as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General	Sewer	\$ 76,198
General	Parking	358,579
General	Tax Agency	35,993
General	Capital Improvement Program	<u>96,995</u>
		<u><u>\$ 567,765</u></u>

## NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Reconciliation of interfund balances between governmental activities and business-type activities were as follows:

Total interfund balances above	\$ 567,765
Less: interfund balances between governmental funds	<u>(132,988)</u>
Total interfund balances between governmental activities and business-type activities	<u>\$ 434,777</u>

Interfund balances represent amounts owed to general fund for short-term payments made out of the general fund for operating expenses.

Transfers for the year ended December 31, 2018 were as follows:

Transfer From	Transfer To	Amount
General Fund	Glade Run Escrow Fund	\$ 7,500
General Fund	Capital Improvement Program Fund	588,098
General Fund	Debt Service Fund	243,340
Parking Fund	General Fund	137,746
Sewer Fund	General Fund	66,410
Highway Aid Fund	General Fund	<u>312,722</u>
		<u>\$ 1,355,816</u>

Reconciliation of transfers between governmental activities and business-type activities were as follows:

Governmental activities	\$ 1,151,660
Business-Type activities	<u>204,156</u>
Total	<u>\$ 1,355,816</u>

Transfers are made to account for capital items purchased through the capital improvement fund and to fund operating expenses out of the general fund.

## NOTE 6 – LONG-TERM LIABILITIES

The City's long-term debt consists of the following:

### General Obligation Debt

Streetscape Project – A note in the amount of \$1,500,000 was obtained to provide financing for the City's Streetscape project and associated costs. The note is payable to a bank in quarterly installments of \$35,097, including interest at 4.75%. The note matures July 2025. The note is secured by the full faith, credit, and taxing power of the City.

## NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

**Parking Garage** – The City obtained a note in the amount of \$1,100,000 for repair work on the Clark Street parking garage and other capital projects. The note is payable to a bank in quarterly installments of \$25,738, including interest at 4.75%. The note matures July 2025. The note is secured by the full faith, credit, and taxing power of the City.

**Sewer Treatment Plant Upgrade** – A note in the amount of \$21,491,723 was obtained to pay for costs of the sewer treatment plant upgrade. The note is payable to Pennvest in monthly installments of \$69,126, including interest at 1%, maturing in 2044. The note is secured by full faith, credit, and taxing power of the City. Payments begin at the earlier of three months after the estimated date of completion, the first day of the calendar month following completion of the project, or three years from the date of settlement. Interest expense for the year was \$200,253. The outstanding amount of the note as of December 31, 2018 is \$19,679,669.

### Debt Service Requirements

Year Ending	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 180,101	\$ 63,244	\$ 633,655	\$ 193,898	\$ 813,756	\$ 257,142
2020	188,809	54,531	640,021	187,535	828,830	242,066
2021	197,938	45,401	646,451	181,102	844,389	226,503
2022	207,510	35,830	652,945	174,608	860,455	210,438
2023	218,543	24,797	659,504	168,049	878,047	192,846
2024-2028	405,333	20,528	3,398,244	739,522	3,803,577	760,050
2029-2033	-	-	3,572,401	565,365	3,572,401	565,365
2034-2038	-	-	3,755,484	382,282	3,755,484	382,282
2039-2043	-	-	3,947,949	189,817	3,947,949	189,817
2044-2046	-	-	1,773,015	20,016	1,773,015	20,016
	<u>\$1,398,234</u>	<u>\$ 244,331</u>	<u>\$ 19,679,669</u>	<u>\$2,802,194</u>	<u>\$21,077,903</u>	<u>\$3,046,525</u>

On December 23, 2013, the City of Warren entered into an agreement with Erie Bank to obtain a revolving line of credit not to exceed \$2.5 million dollars in order to assist with the short-term financing for the construction of a new waste water treatment plant. The line of credit matures on December 22, 2018 and has a fixed interest rate of 2.79%. As of December 31, 2018, the line of credit was not extended and the account was closed.

### Capital Leases

The City entered into lease agreements to finance the acquisition of police cars, a tractor, office equipment and parking project. The leases are recorded at the present value of the future minimum lease payments as of the date of their purchase. The assets acquired under capital leases are recorded at \$438,908, accumulated depreciation of \$150,652, and are included with capital assets in the statement of net position.

## NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Following is a schedule of the future minimum lease payments required under these capital leases, and the present value of the net minimum lease payments at December 31, 2018. Capital lease amortization is included in depreciation expense.

<u>Asset Class</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Machinery and equipment	\$ 52,023	\$ 230,068
Vehicles	162,655	59,397
Less accumulated depreciation	<u>(58,057)</u>	<u>(98,367)</u>
Total	<u>\$ 156,621</u>	<u>\$ 191,098</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2018 are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2019	\$ 40,654	\$ 59,324
2020	4,634	-
2021	4,634	-
2022	4,634	-
2023	<u>2,893</u>	<u>-</u>
Total minimum lease payments	57,449	59,324
Less amount representing interest	<u>(3,136)</u>	<u>(894)</u>
Present value of minimum lease payments	<u>\$ 54,313</u>	<u>\$ 58,430</u>

## NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Long-term liability activity for the year ended December 31, 2018 was as follows:

	January 1, 2018	Additions	Reductions	December 31, 2018	Due Within One Year
Governmental Activities:					
Notes payable	\$ 1,570,028	\$ -	\$ (171,794)	\$ 1,398,234	\$ 180,101
Capital leases	72,890	20,377	(38,954)	54,313	38,959
Compensated absences	402,348	492,242	(489,336)	405,254	149,944
Other postemployment benefits	148,369	-	(3,209)	145,160	-
	<u>\$ 2,193,635</u>	<u>\$ 512,619</u>	<u>\$ (703,293)</u>	<u>\$ 2,002,961</u>	<u>\$ 369,004</u>
Business-Type activities:					
Sewer fund upgrade note	\$ 20,307,022	\$ -	\$ (627,353)	\$ 19,679,669	\$ 633,655
Capital leases	119,716	-	(61,286)	58,430	58,430
Compensated absences	15,357	35,287	(37,213)	13,431	5,104
	<u>\$ 20,442,095</u>	<u>\$ 35,287</u>	<u>\$ (725,852)</u>	<u>\$ 19,751,530</u>	<u>\$ 697,189</u>

The liability for compensated absences is normally liquidated by the general, sewer or parking funds.

## NOTE 7 – WARREN REDEVELOPMENT ASSISTANCE LOAN FUND PAYABLE

Under the terms of a settlement agreement with the Pennsylvania Department of Community and Economic Development (DCED), the City of Warren is obligated to repay \$500,000 to the Warren Redevelopment Assistance Loan fund for grant payments disallowed by the DCED. The agreement calls for monthly payments of \$3,030, including interest at 4%, maturing December 2032. The obligation is secured by all funds contained in the Warren Redevelopment Assistance Loan Fund. The loan was settled in March of 2018 for the amount of \$145,010.

## NOTE 8 – RETIREMENT PLANS

The City administers three single-employer defined benefit pension Plans: Municipal employees, Police and Firefighters. The Plans were established by municipal ordinance with the authority for municipal contributions required by Act 205 of the Pennsylvania legislature. A separate report is not issued for each Plan. Each Plan is accounted for as a separate pension trust fund on the accrual basis and is governed by City Council. Assets are held separately and may be used only for the payment of benefits to members of the respective Plans.



## NOTE 8 – RETIREMENT PLANS (CONTINUED)

### Municipal Employees

The City of Warren Municipal Employee Pension Plan is a single-employer defined benefit pension Plan. The Plan was established by Ordinance No. 845, effective August 15, 1966. The Plan was amended and restated by Ordinance No. 1880, effective October 17, 2016. The Plan is governed by the City Council of the City of Warren which may amend Plan provisions, and which is responsible for the management of Plan assets. The City Council has delegated the authority to manage certain Plan assets to Vanguard. The Plan is required to file Form PC-203C biennially with the Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2017.

### Benefit Provisions

#### Eligibility Requirements

Normal Retirement:	For those hired on or before January 1, 2018: Age 62 and 10 years of service.  For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: Age 60 and 20 years of service.
Early Retirement:	For those hired on or before January 1, 2018: Age 57 and 12 years of service.  For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: None.
Vesting:	For those hired on or before January 1, 2018: 50% after 5 years of service, increasing by 10% for each additional year, up to a maximum of 100% after the completion of 10 years of service.  For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: 100% after 20 years of service.
Retirement Benefit:	For those hired on or before January 1, 2018: A monthly benefit equal to 1.2% of Final Average Monthly Salary (base pay averaged over the final 60 months of employment), plus 1.0% of Final Average Monthly Salary in excess of \$550 multiplied by years of service.

## NOTE 8 – RETIREMENT PLANS (CONTINUED)

Retirement Benefit (Cont.):	For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: A monthly benefit equal to 50% of Average Compensation (base pay averaged over the highest 5-year period, or rate of monthly pay at retirement, whichever is higher). Such benefit shall be offset by 40% of a Participant's full Social Security old-age insurance benefit.
Death Benefit	
Before 10 Years of service:	For those hired on or before January 1, 2018: Refund of contributions if any, plus interest.
After 10 Years of service but before retirement:	For those hired on or before January 1, 2018: The participant's spouse will receive 50% of the participant's Accrued Benefit, payable for life or until remarriage.
Before Retirement:	For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: Refund of contributions.
After Retirement:	<p>For those hired on or before January 1, 2018: The Normal Form of Benefit is a life annuity. At retirement, the participant may select an optional form of benefit payment that is an actuarial equivalent of the Normal Form.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: None except that total benefits paid to the participant are less than the refund of contributions, the excess balance is payable.</p>
Disability Benefit	
Service Related:	For those hired on or before January 1, 2018: In the event of total and permanent disablement, the accrued benefit at date of disablement is payable 5 months after disablement and continuing for duration of Disability prior to Normal Retirement date and life thereafter.

## NOTE 8 – RETIREMENT PLANS (CONTINUED)

Service Related (Cont.):	For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: In the event of total and permanent disablement after completing at least 10 years of service, a monthly benefit equal to 50% of Average Compensation (base pay averaged over the highest 5-year period, or rate of monthly pay at retirement, whichever is higher) payable immediately and continuing for duration of Disability prior to Normal Retirement date and life thereafter.
Non-Service Related:	Same.
DROP Benefit:	None.
Vesting Benefit:	<p>For those hired on or before January 1, 2018: If eligible, the Accrued Benefit at date of termination, multiplied by the vested percentage is payable at Normal Retirement.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: The Normal Retirement Benefit above payable at Normal Retirement conditioned upon the participant continuing to make contributions to the pension plan until Normal Retirement Age.</p>
Late Retirement:	<p>For those hired on or before January 1, 2018: The Benefit is the greater of the Normal Retirement Benefit actuarially increased to Late Retirement date, or the accrued benefit at actual Late Retirement date.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: the accrued benefit at actual Late Retirement date.</p>
Early Retirement	
Amount of Benefit:	<p>For those hired on or before January 1, 2018: Normal Retirement benefit based on Years of Continuous Service at date of actual retirement payable at Normal Retirement.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: None.</p>

## NOTE 8 – RETIREMENT PLANS (CONTINUED)

Reduction for Early Commencement: For those hired on or before January 1, 2018: Benefit may be elected immediately, but will be reduced by 6.7% for each year by which commencement of benefits precedes Normal Retirement Date.

### Deposits

At December 31, 2018, the Plan held \$31,729 in deposits. All deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC).

### Investments

The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The Plan's target asset allocation is as follows:

<u>Asset Class</u>	<u>Target Percentage</u>
Equities	55-65%
Fixed Income	32.5-42.5%
Cash Equivalents	0-5.0%

*Credit Risk* for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan has no investment policy for credit risk. The credit ratings of the Plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated on the table below.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Fixed Income Mutual Funds	\$1,976,960	Not Rated

The above investments are categorized in the fair value hierarchy in the following manner:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Equity Mutual Funds	\$3,453,197	\$ -	\$ -
Fixed Income Mutual Funds	-	1,976,960	-
	<u>\$3,453,197</u>	<u>\$ 1,976,960</u>	<u>\$ -</u>

The valuation technique used in determining the above fair value are recently executed transactions, market price quotations and pricing models that factor in where applicable interest rates, bond, or CD spread volatility. No significant changes in the valuation technique were used as of December 31, 2018.

## NOTE 8 – RETIREMENT PLANS (CONTINUED)

*Concentration of Credit Risk* is the risk of loss attributed to the magnitude of an investment in a single issuer. The Plan places no limit on the amount that may be invested in any one issuer. At December 31, 2018, the Plan had no investments (other than U.S. Government and U. S. Government guaranteed obligations, mutual funds or other pooled investments) in any one issuer that represent 5% or more of Fiduciary Net Position.

*Interest Rate Risk* for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The Plan has no investment policy for interest rate risk other than the 42.5 percent limit on fixed income securities. The maturities of the Plan's debt investments are listed on the table below.

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>					
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>N/A</u>	<u>1-5.99</u>	<u>6 - 10</u>	<u>More than 10</u>
Debt Securities-Fixed Income Funds	\$ 1,976,960	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 988,416</u>	<u>\$ 988,544</u>	<u>\$ -</u>
Equity Mutual Funds	<u>3,453,197</u>					
Total	<u>\$ 5,430,157</u>					

### Contributions

The employer follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the Plan's most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees hired on or before January 1, 2018 are required to contribute 2.0% of covered payroll to the Plan. Employees hired after January 1, 2018 are required to contribute 3.5% of covered payroll to the Plan. This contribution is governed by the Plan's governing ordinances and collective bargaining.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or Plan earnings.

## NOTE 8 – RETIREMENT PLANS (CONTINUED)

### Net Pension Liability

The components of the net pension liability at December 31, 2018 are as follows:

Total pension liability*	\$ 6,335,217
Plan fiduciary net position	<u>(5,461,886)</u>
Net pension liability	<u>\$ 873,331</u>

Plan fiduciary net position as a percentage of the total pension liability: 86.2%

\*The total pension liability was determined by an actuarial valuation as of January 1, 2017 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

#### Actuarial Assumptions

Inflation: 2.75%

Salary increases: 4.75% including inflation

Mortality: RP-2014 Mortality Table with rates set forward 5 years for disabled members. Mortality improvement based on long-range demographic assumptions for 2015 SSA's trustee report.

Expected Long-Term  
Rate of Return: 7.25 % applied to all periods

The long-term expected rate of return on pension Plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of December 31, 2018 are summarized in the following table:

## NOTE 8 – RETIREMENT PLANS (CONTINUED)

<u>Asset Class</u>	<u>Long Term Expected Real ROR</u>
Equities	5.0 % – 7.0 %
Fixed Income	1.0 % – 3.0 %
Cash and Equivalents	0.0 % – 1.0 %

### Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the Plan will continue to be funded based on the Minimum Municipal Obligation as determined in accordance with Act 205. Based on that assumption, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension Plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

### Sensitivity of the net pension liability to changes in the discount rate

The following shows the effect of a 1% change in the discount rate on the net pension liability:

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
Net Pension Liability	<u>\$ 1,565,666</u>	<u>\$ 873,331</u>	<u>\$ 285,960</u>

### Payable to the Pension Plan

At December 31, 2018, the City did not owe anything to the Plan.

### Plan Membership

The Plan provides pensions for full-time municipal employees of the City. As of December 31, 2018, pension Plan membership consists of:

Active employees	24
Retirees and beneficiaries currently receiving benefits	31
Terminated employees entitled to benefits but not yet receiving them	<u>5</u>
Total	<u>60</u>

## NOTE 8 – RETIREMENT PLANS (CONTINUED)

### Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 12/31/17</b>	<u>\$ 6,106,471</u>	<u>\$ 5,893,933</u>	<u>\$ 212,538</u>
<b>Changes for the Year:</b>			
Service cost	151,378	-	151,378
Interest	440,752	-	440,752
Differences between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Contributions - employer	-	193,392	(193,392)
Contributions - employee	-	24,575	(24,575)
Net investment income	-	(259,726)	259,726
Benefit payments and refunds of employee contributions	(363,384)	(363,384)	-
Administrative expense	-	(26,904)	26,904
<b>Net changes</b>	<u>228,746</u>	<u>(432,047)</u>	<u>660,793</u>
<b>Balances at 12/31/2018</b>	<u><u>\$ 6,335,217</u></u>	<u><u>\$ 5,461,886</u></u>	<u><u>\$ 873,331</u></u>

### Notes to Schedule

On May 21, 2018, the pension Plan was amended to grant Third Class City Code minimum required benefits for full-time non-uniformed, union employees hired after January 1, 2018 and for full-time non-uniformed non-union employees hired after January 1, 2019. As of December 31, 2018, there are no impacted employees in the Plan.

#### Police Pension

The City of Warren Police Pension Plan is a single-employer defined benefit pension Plan. The Plan was established by Ordinance No. 376, effective May 7, 1945. The Plan was amended and restated by Ordinance No. 1669, effective January 1, 2002. The Plan is governed by the City Council of the City of Warren which may amend Plan provisions, and which is responsible for the management of Plan assets. The City Council has delegated the authority to manage certain Plan assets to Vanguard. The Plan is required to file Form PC-201C biennially with the Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2017.

#### **Benefit Provisions**

##### Eligibility Requirements:

Normal Retirement: Completion of 20 years of service.



## NOTE 8 – RETIREMENT PLANS (CONTINUED)

Vesting:	100% after 12 years of service.
Retirement Benefit	A monthly benefit equal to 50% of Final Average Monthly Compensation (compensation averaged over the final 36 months of employment), plus Extra Service benefit of 1/40 of the Normal Retirement Benefit for each completed Year of Service in excess of 20 years, up to a maximum increase of \$500. Service completed after age 65 is not counted.
Death Benefit	
Before Retirement Eligibility:	Refund of contributions plus interest.
After Retirement Eligibility:	The surviving spouse will receive 100% of the amount the participant was receiving or entitled to receive payable for life or until remarriage. In the event of the spouse's death or remarriage, the participant's children under age 18 will share the benefit, or until age 21 if a full-time student.
Disability Benefit	
Service Related:	For total and permanent disablement, a monthly benefit equal to 50% of compensation averaged over the final 36 months prior to disablement will be payable commencing the first day of the month following disablement and continuing for duration of Disability prior to Normal Retirement date and life thereafter.
Non-Service Related:	None.
DROP Benefit:	None.
Cost-of-Living Adjustment:	Normal retirees will receive a 2.0% per year increase in their benefit. Total increases may not exceed 70% of the contractual pay rate of a fourth-year officer/First Class Patrolman at the time of retirement. Disabled retirees will receive annual increases based on the Consumer Price Index up to a maximum of 30% of the original benefit.
Vesting Benefit:	A benefit at Normal Retirement date equal to 50% of Final Average Monthly Compensation in the 36 months preceding termination multiplied by the ratio of actual service to 20 years. Benefit is paid in lieu of the return of member contributions.

## NOTE 8 – RETIREMENT PLANS (CONTINUED)

### Deposits

At December 31, 2018, the Plan held \$50,132 in deposits. All deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC).

### Investments

The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The Plan's target asset allocation is as follows:

<u>Asset Class</u>	<u>Target Percentage</u>
Equities	55-65%
Fixed Income	32.5-42.5%
Cash Equivalents	0-5.0%

*Credit Risk* for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan has no investment policy for credit risk. The credit ratings of the Plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated on the table below.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Fixed Income Mutual Funds	\$2,749,072	Not Rated

The above investments are categorized in the fair value hierarchy in the following manner:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Fixed Income Mutual Funds	\$ -	\$ 2,749,072	\$ -
Equity Mutual Funds	<u>4,772,964</u>	<u>-</u>	<u>-</u>
	<u>\$4,772,964</u>	<u>\$ 2,749,072</u>	<u>\$ -</u>

The valuation technique used in determining the above fair value are recently executed transactions, market price quotations and pricing models that factor in where applicable interest rates, bond, or CD spread volatility. No significant changes in the valuation technique were used as of December 31, 2018.

*Concentration of Credit Risk* is the risk of loss attributed to the magnitude of an investment in a single issuer. The Plan places no limit on the amount that may be invested in any one issuer. At December 31, 2018, the Plan had no investments (other than U.S. Government and U. S. Government guaranteed obligations, mutual funds or other pooled investments) in any one issuer that represent 5% or more of Fiduciary Net Position.

*Interest Rate Risk* for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The Plan has no investment policy for interest rate risk other than the 42.5 percent limit on fixed income securities. The maturities of the Plan's debt investments are listed on the table below.

## NOTE 8 – RETIREMENT PLANS (CONTINUED)

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>					
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5.99</u>	<u>6 - 10</u>	<u>More than 10</u>	<u>N/A</u>
Debt Securities-Fixed Income Funds	\$2,749,072	<u>\$ -</u>	<u>\$1,374,446</u>	<u>\$1,374,626</u>	<u>\$ -</u>	<u>\$ -</u>
Equity Mutual Funds	<u>4,772,964</u>					
Total	<u>\$7,522,036</u>					

### Contributions

The employer follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the Plan's most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees are required to contribute 5.0% of covered payroll to the Plan. This contribution is governed by the Plan's governing ordinances and collective bargaining. Contributions are currently reduced to 2.0% of covered payroll.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or Plan earnings.

### Net Pension Liability

The components of the net pension liability (asset) at December 31, 2018 are as follows:

Total pension liability*	\$ 8,063,251
Plan fiduciary net position	<u>(7,568,938)</u>
Net pension liability (asset)	<u>\$ 494,313</u>

Plan fiduciary net position as a percentage of the total pension liability: 93.9%

\*The total pension liability was determined by an actuarial valuation as of January 1, 2017 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

## NOTE 8 – RETIREMENT PLANS (CONTINUED)

### Actuarial Assumptions:

Inflation:	2.75%
Salary increases:	4.75% including inflation
Mortality:	RP-2014 Mortality Table with 50% Blue Collar adjustment, with rates set forward 5 years for disabled members. Mortality improvement based on Long-Range Demographic Assumptions for 2015 SSA's Trustee report.
Expected Long-Term Rate of Return:	7.25 % applied to all periods

The long-term expected rate of return on pension Plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of December 31, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real ROR</u>
Equities	5.0 % - 7.0 %
Fixed Income	1.0 % - 3.0 %
Cash and Equivalents	0.0 % - 1.0 %

### Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the Plan will continue to be funded based on the Minimum Municipal Obligation as determined in accordance with Act 205. Based on that assumption, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension Plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

## NOTE 8 – RETIREMENT PLANS (CONTINUED)

### Sensitivity of the net pension liability to changes in the discount rate

The following shows the effect of a 1% change in the discount rate on the net pension liability(asset):

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 1,380,857	\$ 494,313	\$ (246,640)

### Payable to the Pension Plan

At December 31, 2018, the City did not owe anything to the Plan.

### Plan Membership

The Plan provides pensions for full-time policemen of the City. As of December 31, 2018, pension Plan membership consists of:

Active employees	13
Retirees and beneficiaries currently receiving benefits	24
Terminated employees entitled to benefits but not yet receiving them	0
Total	37

### Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 12/31/17</b>	\$ 7,873,272	\$ 8,300,110	\$ (426,838)
<b>Changes for the Year:</b>			
Service cost	179,535	-	179,535
Interest	564,110	-	564,110
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	183,505	(183,505)
Contributions - employee	-	19,727	(19,727)
Net investment income	-	(360,541)	360,541
Benefit payments and refunds of employee contributions	(553,666)	(553,666)	-
Administrative expense	-	(20,197)	20,197
<b>Net changes</b>	189,979	(731,172)	921,151
<b>Balances at 12/31/2018</b>	\$ 8,063,251	\$ 7,568,938	\$ 494,313

## NOTE 8 – RETIREMENT PLANS (CONTINUED)

### Firefighter Pension

The City of Warren Firefighters Pension Plan is a single-employer defined benefit pension Plan. The Plan was established September 1, 1974 (adopted pursuant to Act 600 of 1956). The Plan was amended and restated by Ordinance No. 1668, effective January 1, 2010. The Plan is governed by the City Council of the City of Warren which may amend Plan provisions, and which is responsible for the management of Plan assets. The City Council has delegated the authority to manage certain Plan assets to Brighthouse Life Insurance Company and Vanguard. The Plan is required to file Form PC-202C biennially with the Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2017.

### **Benefit Provisions**

Pension Plan benefit provisions are as follows:

#### Eligibility Requirements

Normal Retirement: Age 55 and 20 years of service, as of January 1, 2020: Age 50 and 20 years of service.

Early Retirement: None.

Vesting: 100% after 12 years of service.

Retirement Benefit: A monthly benefit equal to 50% of Final Average Monthly Compensation, base pay plus longevity averaged over the highest 5 years or the final monthly rate of pay, whichever is higher, plus a service increment of 1/40 of the Normal Retirement Benefit for each completed Year of Service in excess of 20 years, up to a maximum of \$250. For new hires after January 1, 2020, the maximum service increment is \$100. Service completed after age 65 is not counted.

#### Death Benefit

Before Retirement Eligibility: A monthly benefit equal to 50% of Vested Accrued Benefit at date of death is payable to the participant's spouse immediately until death.

After Retirement Eligibility  
Or in-Service death:

A monthly benefit equal to 100% of the benefit the participant was receiving or was entitled to receive payable to the survivor for life. For those participants who die while in active service, the benefit is deferred until the participant's normal retirement date.

## NOTE 8 – RETIREMENT PLANS (CONTINUED)

### Disability Benefit

Service Related: Upon total and permanent disablement as determined by a qualified physician, participant will receive a monthly benefit equal to 50% of compensation averaged over the final 60 months prior to disablement. Benefit commences the first day of the month following disablement and continuing for duration of Disability prior to Normal Retirement date and life thereafter.

Non-Service Related: Hired on or after 1/1/2010, there is a 10-year service requirement. Monthly benefit is 30%.

DROP Benefit None.

### Other Benefits

Vesting Benefit Prospective Normal Retirement Benefit is multiplied by the ratio of service to date divided by projected service to Normal Retirement payable at Normal Retirement Date.

### Member Contributions

Amount or Rate: 5.0% of wages + \$2.50 per month for service increment.

Interest Rate Credited to Member Contributions: 0.0%

### Deposits

At December 31, 2018, the Plan held no deposits.

### Investments

The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The Plan's target asset allocation is as follows:

<u>Asset Class</u>	<u>Target Percentage</u>
Equities	55-65%
Fixed Income	32.5-42.5%
Cash Equivalents	0-5.0%

## NOTE 8 – RETIREMENT PLANS (CONTINUED)

*Credit Risk* for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan has no investment policy for credit risk. At December 31, 2018, the credit ratings of the Plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated on the table below.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Mutual Funds	\$885,726	Not Rated
Annuity Contract	\$372,968	Not Rated

The above investments are categorized in the fair value hierarchy in the following manner:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Money Market Funds	\$2,275,092	\$ -	\$ -
Fixed Income Mutual Funds	-	885,726	-
Annuity Contract	-	-	372,968
	<u>\$2,275,092</u>	<u>\$ 885,726</u>	<u>\$ 372,968</u>

The valuation technique used in determining the above fair value are recently executed transactions, market price quotations and pricing models that factor in where applicable interest rates, bond, or CD spread volatility. No significant changes in the valuation technique were used as of December 31, 2018.

*Concentration of Credit Risk* is the risk of loss attributed to the magnitude of an investment in a single issuer. The Plan places no limit on the amount that may be invested in any one issuer. At December 31, 2018, all Plan assets were held by Brighthouse Life Insurance Company or Vanguard.

*Interest Rate Risk* for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The maturities of the Plan's debt investments are listed on the table below.

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5.99</u>	<u>6 - 10</u>	<u>More than 10</u>
Mutual Funds	\$ 885,726	<u>\$ -</u>	<u>\$ 442,222</u>	<u>\$ 443,504</u>	<u>\$ -</u>
Insurance Contracts	372,968				
Equity Mutual Funds	<u>2,275,092</u>				
	<u>\$ 3,533,786</u>				



## NOTE 8 – RETIREMENT PLANS (CONTINUED)

### Contributions

The employer follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the Plan's most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees are required to contribute 5.0% of covered payroll + \$2.50 per month for service increment to the Plan. This contribution is governed by the Plan's governing ordinances and collective bargaining.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or Plan earnings.

The components of the net pension liability at December 31, 2018 are as follows:

Total pension liability*	\$ 4,684,512
Plan fiduciary net position	<u>(3,533,786)</u>
Net pension liability	<u>\$ 1,150,726</u>

Plan fiduciary net position as a percentage of the total pension liability: 75.4%

\*The total pension liability was determined by an actuarial valuation as of January 1, 2017 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

#### Actuarial Assumptions

Inflation:	2.75%
Salary increases:	4.5% including inflation
Mortality:	RP-2014 Mortality Table with 50% Blue Collar adjustment, with rates set forward 5 years for disabled members. Mortality improvement based on long-range demographic assumptions for 2015 SSA's Trustee report.
Expected Long-Term Rate of Return:	6.75 % applied to all periods

## NOTE 8 – RETIREMENT PLANS (CONTINUED)

### Expected Long-Term Rate of Return (Continued):

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of December 31, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real ROR</u>
Equities	5.0 % - 7.0 %
Fixed Income	1.0 % - 3.0 %
Cash and Equivalents	0.0 % - 1.0 %

### Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the Plan will continue to be funded based on the Minimum Municipal Obligation as determined in accordance with Act 205. Based on that assumption, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension Plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

### Sensitivity of the net pension liability to changes in the discount rate

The following shows the effect of a 1% change in the discount rate on the net pension liability:

	<u>1% Decrease 5.75%</u>	<u>Current Discount Rate 6.75%</u>	<u>1% Increase 7.75%</u>
Net Pension Liability	<u>\$ 1,784,126</u>	<u>\$ 1,150,726</u>	<u>\$ 635,797</u>

### Payable to the Pension Plan

At December 31, 2018, the City did not owe anything to the Plan.

## NOTE 8 – RETIREMENT PLANS (CONTINUED)

### Plan Membership

The Plan provides pensions for full-time firefighters of the City. As of December 31, 2018, pension Plan membership consists of:

Active employees	20
Retirees and beneficiaries currently receiving benefits	0
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>
Total	<u><u>21</u></u>

### Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 12/31/17</b>	<u>\$ 3,560,261</u>	<u>\$ 3,347,628</u>	<u>\$ 212,633</u>
<b>Changes for the Year:</b>			
Service cost	193,215	-	193,215
Interest	296,254	-	296,254
Changes of benefit terms	636,134	-	636,134
Differences between expected and actual experiences	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	318,798	(318,798)
Contributions - employee	-	48,304	(48,304)
Net investment income	-	(159,269)	159,269
Benefit payments and refunds of employee contributions	(1,352)	(1,352)	-
Administrative expense	-	(20,323)	20,323
<b>Net changes</b>	<u>1,124,251</u>	<u>186,158</u>	<u>938,093</u>
<b>Balances at 12/31/2018</b>	<u><u>\$ 4,684,512</u></u>	<u><u>\$ 3,533,786</u></u>	<u><u>\$ 1,150,726</u></u>

### Notes to Schedule

Benefits Changes: Effective in the 2018 Collective Bargaining Agreement, beginning in 2020, the retirement eligibility has been reduced from age 55 and 20 years of service to age 50 and 20 years of service.

## NOTE 8 – RETIREMENT PLANS (CONTINUED)

### **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2018, the City recognized pension expense of \$1,648,259. At December 31, 2018, the Plan reported deferred outflows of resources and deferred inflows of resources related to the municipal employee's, firefighter's and police officer's pension from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ (356,906)
Changes of assumptions	397,959
Net difference between projected and actual earnings on pension plan investments	<u>1,152,213</u>
Total	<u><u>\$ 1,193,266</u></u>

Amounts reported as deferred outflows of resources (+) and deferred inflows (-) of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:

2019	\$ 511,191
2020	265,969
2021	195,654
2022	422,846
2023	(42,496)
Thereafter	<u>(159,898)</u>
Total	<u><u>\$ 1,193,266</u></u>

### **Plan Provisions**

The City offers a single-employer Plan that provides health care, disability, and life insurance benefits to eligible retired City employees and their spouses. These benefits were established under collective bargaining agreements or by resolution of Council. The Plan does not issue a stand-alone financial report.

The Summary of Substantive Plan Provisions below is included to clarify the basis of our actuarial valuation and is not meant to govern the operation of the Plan. The summary represents our understanding of the benefits provided by the Plan, based upon documentation provided by the employer and our understanding of the way in which the employer operates the Plan.

## NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

### **Firefighters Union**

Benefits Provided:	Any employee retiring after January 1, 2015 shall not be entitled to continue to be part of any City employee health, dental or vision insurance plan.
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### **Police Officers Union**

Benefits Provided:	Any employee retiring after January 1, 2015 shall not be entitled to continue to be part of any City employee health, dental or vision insurance plan.
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### **Municipal Employees**

Non-Union (including Fire and Police Captain and Chief)

Benefits Covered:	Any employee retiring after January 1, 2015 shall not be entitled to continue to be part of any City employee health, dental or vision insurance plan. (One current retiree receives City-paid life insurance benefits.)
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Department of Public Works Union (IBEW)

Normal Retirement Eligibility:	Age 62 with 10 years of service.
Disability Retirement Eligibility:	Total and permanent disablement as determined by a qualified physician.
Persons Covered:	Eligible retiree, spouse or other dependents
Benefits Covered:	Eligible retirees hired before January 1, 1993 may continue on the Group Health insurance until the retiree reaches age 65.
Retiree Contributions:	Retiree pays premium charged.
Benefit Plan:	PPO 500/1000 Health Insurance Plan administered by Municipal Benefits Services.

## NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

### Plan Membership

As of December 31, 2018, plan membership consisted of:

Active employees	1
Retirees and beneficiaries currently receiving benefits	2
Terminated employees entitled to benefits but not yet receiving them	-
	<u>3</u>

### Changes in Net OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2017	<u>\$ 148,369</u>
Changes for the year:	
Service cost	-
Interest	1,730
Changes of benefit terms	
Differences between expected and actual experience	-
Changes of assumptions	-
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments and refunds of employee contributions	(4,939)
Administrative expense	-
Other changes	-
Net changes	<u>(3,209)</u>
Balances at December 31, 2018	<u><u>\$ 145,160</u></u>

The City experienced total OPEB expense of \$4,939 as of December 31, 2018.

### **Sensitivity of the net OPEB liability to changes in the discount rate**

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current rate.

## NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Fiscal Year Ending	12/31/2018
Current Discount Rate	\$ 145,160
1% Decrease	\$ 146,612
1% Increase	\$ 143,708

### Sensitivity of the net OPEB liability to changes in healthcare cost trend rates

The following presents the net OPEB liability of the City, as well as what the city's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% higher or lower than the current rates.

Fiscal Year Ending	12/31/2018
Current Discount Rate	\$ 145,160
1% Decrease	\$ 145,160
1% Increase	\$ 145,160

### Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the actuary, employer, and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Actuarial Present Value of Projected Benefits	Level dollar
Interest Rate	3.75% per year
Mortality	RP-2014 Combined Healthy Mortality Table
Disablement	No discount
Turnover (Withdrawal)	No discount
Retirement	Normal Retirement Age
Rates of Participation for Future Retirees	25%
Individual or Husband/Wife Coverage	50% Individual / 50% Husband/Wife
Spouse Age for Future Retirees	Male spouses assumed to be 3 years older than female spouses.

## NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Initial Annual Cost	As of the valuation date, the cost for medical (including prescription drug) coverage was developed starting with the applicable actual premium schedules in effect	
Premium Schedules	Single	\$ 10,481
	Two people	27,255
	Family	33,535
	Parent/Children	23,055

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits are based upon the types of benefits provided under the substantive Plan at the time of each valuation and on the pattern of sharing the benefit costs between the employer and Plan members to that point.

## NOTE 10 – COMMITMENTS AND CONTINGENCIES

### **Grant Programs**

The City participates in both state and federal grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City is potentially liable for any expenditure that may be disallowed pursuant to the terms of these grant programs.

### **Litigation**

The City may be subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the City's financial position.

## NOTE 11 – SELF INSURANCE – HEALTH INSURANCE

The City entered into an agreement with Municipal Benefit Services (funded by the Municipal Employees Insurance Trust) to provide health and welfare benefits to the City's employees and retirees.

The City's self-insurance program pays health and dental insurance coverage for City employees. Retired employees are also covered by the program provided they pay a monthly premium to the City. Under the Trust Agreement, the City is obligated to make employer contributions as determined by the Trust or on a monthly basis.

At December 31, 2018, there is no material liability of unpaid claims to be reported by the City.



**Required Supplementary  
Information**

**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund**

**For the Year Ended December 31, 2018**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 6,517,000	\$ 6,517,000	\$ 6,485,819	\$ (31,181)
Intergovernmental	532,491	532,491	555,343	22,852
Charges for services	452,550	452,550	559,566	107,016
Interest, rents and royalties	3,000	3,000	28,922	25,922
Licenses and permits	423,550	423,550	501,212	77,662
Fines and forfeits	52,500	52,500	73,938	21,438
Other	38,450	38,450	305,409	266,959
Total Revenues	<u>8,019,541</u>	<u>8,019,541</u>	<u>8,510,209</u>	<u>490,668</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,415,373	1,415,373	1,084,445	330,928
Public safety	4,376,560	4,376,560	4,208,859	167,701
Public works	1,776,887	1,776,887	1,540,364	236,523
Culture and recreation	592,295	592,295	560,028	32,267
Community development	110,988	110,988	92,042	18,946
Building code enforcement	401,122	401,122	372,368	28,754
Debt service	192,138	192,138	-	192,138
Total Expenditures	<u>8,865,363</u>	<u>8,865,363</u>	<u>7,858,106</u>	<u>1,007,257</u>
Excess of revenues over expenditures	<u>(845,822)</u>	<u>(845,822)</u>	<u>652,103</u>	<u>1,497,925</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan settlement	-	-	145,010	145,010
Capital lease proceeds	-	-	20,377	20,377
Transfers in	280,115	280,115	516,878	236,763
Transfers out	(1,268,750)	(1,268,750)	(838,938)	429,812
Total Other Financing Sources (Uses)	<u>(988,635)</u>	<u>(988,635)</u>	<u>(156,673)</u>	<u>831,962</u>
Net Change in Fund Balance	(1,834,457)	(1,834,457)	495,430	2,329,887
Fund Balances, Beginning of Year	<u>3,504,303</u>	<u>3,504,303</u>	<u>3,504,303</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,669,846</u>	<u>\$ 1,669,846</u>	<u>\$ 3,999,733</u>	<u>\$ 2,329,887</u>

**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Changes in the City's Net Pension Liability and Related Ratios**  
**December 31, 2018**

**Municipal Employees Pension Plan**

**Total Pension Liability at Plan Year End**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarial Accrued Liability at January 1	\$ 6,106,471	\$ 5,416,298	\$ 5,210,339	\$ 5,091,945	\$ 4,849,243
Service cost	151,378	166,289	137,298	135,432	140,145
Differences between expected and actual experience	-	70,534	-	(113,700)	-
Benefit payments	(363,384)	(327,099)	(320,606)	(276,676)	(262,000)
Changes of assumptions	-	356,408	-	-	-
Interest	440,752	424,041	389,267	373,338	364,557
Total Pension Liability (TPL)	<u>\$ 6,335,217</u>	<u>\$ 6,106,471</u>	<u>\$ 5,416,298</u>	<u>\$ 5,210,339</u>	<u>\$ 5,091,945</u>

**Plan Fiduciary Net Position**

Balance at January 1	\$ 5,893,933	\$ 5,320,229	\$ 5,139,874	\$ 5,280,405	\$ 4,997,925
Benefit payments	(363,384)	(327,099)	(320,606)	(276,676)	(262,000)
Contributions - employer	193,392	135,508	136,779	193,634	198,243
Contributions - member	24,575	24,878	22,187	21,480	21,042
Net investment income	(259,726)	760,021	369,746	(48,092)	356,595
Administrative expenses	(26,904)	(19,604)	(27,751)	(30,877)	(31,400)
Total Plan Fiduciary Net Position	<u>\$ 5,461,886</u>	<u>\$ 5,893,933</u>	<u>\$ 5,320,229</u>	<u>\$ 5,139,874</u>	<u>\$ 5,280,405</u>

City Net Pension Liability (Asset)	<u>\$ 873,331</u>	<u>\$ 212,538</u>	<u>\$ 96,069</u>	<u>\$ 70,465</u>	<u>\$ (188,460)</u>
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Plan fiduciary net position as a percentage of the total pension liability	86.2%	96.5%	98.2%	98.6%	103.7%
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Covered-employee payroll	\$ 1,279,181	\$ 1,255,134	\$ 1,264,036	\$ 1,114,818	\$ 1,160,268
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City's Net Pension Liability/(Asset) as a percentage of covered-employee payroll	68.3%	16.9%	7.6%	6.3%	-16.2%
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**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Changes in the City's Net Pension Liability and Related Ratios**  
**December 31, 2018**

**Police Pension Plan**

**Total Pension Liability at Plan Year End**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarial Accrued Liability at January 1	\$ 7,873,272	\$ 7,269,402	\$ 7,113,618	\$ 7,193,968	\$ 6,973,104
Service cost	179,535	171,394	159,679	152,075	181,479
Changes of benefit terms	-	-	-	(18,267)	-
Differences between expected and actual experience	-	(59,672)	-	(267,700)	-
Benefit payments	(553,666)	(529,712)	(529,881)	(459,060)	(479,565)
Changes of assumptions	-	471,417	-	-	-
Interest	564,110	550,443	525,986	512,602	518,950
Total Pension Liability (TPL)	<u>\$ 8,063,251</u>	<u>\$ 7,873,272</u>	<u>\$ 7,269,402</u>	<u>\$ 7,113,618</u>	<u>\$ 7,193,968</u>

**Plan Fiduciary Net Position**

Balance at January 1	\$ 8,300,110	\$ 7,611,053	\$ 7,478,342	\$ 7,835,276	\$ 7,556,913
Benefit payments	(553,666)	(529,712)	(529,881)	(459,060)	(479,565)
Contributions - employer	183,505	145,471	133,197	188,168	221,701
Contributions - member	19,727	17,913	18,538	17,049	16,650
Net investment income	(360,541)	1,086,322	544,151	(66,660)	556,253
Administrative expenses	(20,197)	(30,937)	(33,294)	(36,431)	(36,676)
Total Plan Fiduciary Net Position	<u>\$ 7,568,938</u>	<u>\$ 8,300,110</u>	<u>\$ 7,611,053</u>	<u>\$ 7,478,342</u>	<u>\$ 7,835,276</u>
City Net Pension Liability (Asset)	<u>\$ 494,313</u>	<u>\$ (426,838)</u>	<u>\$ (341,651)</u>	<u>\$ (364,724)</u>	<u>\$ (641,308)</u>

Plan fiduciary net position as a percentage of the total pension liability

93.9%      105.4%      104.7%      105.1%      108.9%

Covered-employee payroll

\$ 881,638      \$ 931,319      \$ 784,113      \$ 937,229      \$ 782,344

City's Net Pension Liability/(Asset) as a percentage of covered-employee payroll

56.1%      -45.8%      -43.6%      -38.9%      -82.0%

**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Changes in the City's Net Pension Liability and Related Ratios**  
December 31, 2017

**Firefighters Pension Plan**

**Total Pension Liability at Plan Year End**

	2018	2017	2016	2015	2014
Actuarial Accrued Liability at January 1	\$ 3,560,261	\$ 3,411,066	\$ 3,069,427	\$ 2,678,393	\$ 2,386,991
Service cost	193,215	154,335	154,629	147,970	139,989
Benefit payments	(1,352)	-	(21,854)	-	(12,443)
Change of benefit terms	636,134	-	-	388,152	-
Differences between expected and actual experience	-	(142,810)	-	(332,424)	-
Changes of assumptions	-	(87,452)	-	-	-
Interest	296,254	225,122	208,864	187,336	163,856
Total Pension Liability (TPL)	<u>\$ 4,684,512</u>	<u>\$ 3,560,261</u>	<u>\$ 3,411,066</u>	<u>\$ 3,069,427</u>	<u>\$ 2,678,393</u>

**Plan Fiduciary Net Position**

Balance at January 1	\$ 3,347,628	\$ 2,642,410	\$ 2,153,292	\$ 1,848,930	\$ 1,472,478
Benefit payments	(1,352)	-	(21,854)	-	(12,443)
Contributions - employer	318,798	298,185	293,375	255,310	255,007
Contributions - member	48,304	46,872	42,398	40,464	38,551
Net investment income	(159,269)	374,329	189,906	25,278	116,202
Administrative expenses	(20,323)	(14,168)	(14,707)	(16,690)	(20,865)
Total Plan Fiduciary Net Position	<u>\$ 3,533,786</u>	<u>\$ 3,347,628</u>	<u>\$ 2,642,410</u>	<u>\$ 2,153,292</u>	<u>\$ 1,848,930</u>
City Net Pension Liability (NPL)	<u>\$ 1,150,726</u>	<u>\$ 212,633</u>	<u>\$ 768,656</u>	<u>\$ 916,135</u>	<u>\$ 829,463</u>

Plan fiduciary net position as a percentage of the total pension liability

75.4%      94.0%      77.5%      70.2%      69.0%

Covered-employee payroll

\$ 1,161,591      \$ 1,039,727      \$ 940,445      \$ 873,664      \$ 807,829

City's Net Pension Liability as a percentage of covered-employee payroll

99.1%      20.5%      81.7%      104.9%      102.7%

**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Contributions**  
**Municipal Employees Pension Plan**

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- employee Payroll	Contributions As a Percentage of Covered- employee Payroll
2008	\$ 137,975	\$ 139,031	\$ (1,056)	\$ 1,136,096	12.2%
2009	149,285	155,078	(5,793)	-	N/A
2010	156,819	208,971	(52,152)	1,239,358	16.9%
2011	227,145	242,259	(15,114)	-	N/A
2012	238,199	238,199	-	1,120,583	21.3%
2013	211,217	211,217	-	-	N/A
2014	198,243	198,243	-	1,160,268	17.1%
2015	193,634	193,634	-	1,114,818	17.4%
2016	136,779	136,779	-	1,264,036	10.8%
2017	135,508	135,508	-	1,255,134	10.8%
2018	193,392	193,392	-	1,279,181	15.1%

See Notes to the Supplementary Schedules for an explanation of changes to benefits and actuarial assumptions.

**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Contributions**  
**Municipal Employees Pension Plan**

**Notes to the Supplementary Schedules**

The following actuarial methods and assumptions were used in the calculation of actuarially determined contribution rates reported in the supplementary schedules:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	4-year smoothing
Inflation	2.75%
Salary increase	4.75% including inflation
Investment rate of return	7.25% net of investment expenses not funded through the MMO, and including inflation
Mortality	RP-2014 Mortality Table with rates set forward 5 years for disabled members. Mortality improvement based on long-range demographic assumptions for 2015 SSA's trustee report.
Retirement age	Later of Normal Retirement age or attained age if currently eligible to retire.

**Changes to Benefits:**

Effective 1-1-2018, the pension plan was amended to grant third Class City Code minimum required benefits for full-time, non-uniformed, non-union employees hired after January 1, 2018 and for full-time, non-uniformed, non-union employees hired after January 1, 2019.

**Changes to Assumptions:**

Effective 1-1-2009, AVA smoothing (4-year) and RP-2000 Combined Healthy Mortality Table

Effective 1-1-2011, pre-retirement death benefits are valued directly

Effective 1-1-2013, mortality assumption updated to recognize mortality improvements are expected to continue to occur

Effective 1-1-2017, Inflation lowered from 3.0% to 2.75%; interest rate lowered from 7.5% to 7.25%; salary increase rate lowered from 5.0% to 4.75%; mortality assumption updated from RP-2000 Combined Healthy mortality and 7.5% Scale AA to RP-2014 mortality and mortality improvement based on the Social Security Administration's 2015 Demographic Assumptions; disability assumptions updated from 60% of the rates from Advanced Pension tables to rates based on the Social Security Administration's 2010 projections of disability incidence.

**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Contributions**  
**Police Pension Plan**

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- employee Payroll	Contributions As a Percentage of Covered- employee Payroll
2008	\$ -	\$ -	\$ -	\$ 697,393	N/A
2009	-	-	-	-	N/A
2010	-	-	-	813,673	N/A
2011	174,963	188,423	(13,460)	-	N/A
2012	174,099	174,099	-	864,627	20.1%
2013	181,370	181,370	-	-	N/A
2014	221,701	221,701	-	782,344	28.3%
2015	188,168	188,168	-	937,229	20.1%
2016	133,197	133,197	-	784,113	17.0%
2017	145,471	145,471	-	931,319	15.6%
2018	183,505	183,505	-	881,638	20.8%

See Notes to the Supplementary Schedules for an explanation of changes to benefits and actuarial assumptions.



**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Contributions**  
**Police Pension Plan**

**Notes to the Supplementary Schedules**

The following actuarial methods and assumptions were used in the calculation of actuarially determined contribution rates reported in the supplementary schedules:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	17 years
Asset valuation method	4-year smoothing
Inflation	2.75%
Salary increase	4.75% plus an additional 2.667% in the year preceding retirement to reflect the inclusion of pay for unused sick days in the calculation of Final Average Monthly Compensation including inflation.
Investment rate of return	7.25% net of investment expenses not funded through the MMO, and including inflation.
Mortality	RP-2014 Mortality Table with 50% Blue Collar Adjustments, with rates set forward 5 years for disabled members. Mortality improvement based on long-range demographic assumptions for 2015 SSA's trustee report.
Retirement age	Participants who will be over age 55 at 20 years of service are assumed to retire. For all others 40% are assumed to retire upon reaching 20 years of service before age 55, 20% are assumed to retire after reaching 21 years of service with 100% assumed at age 55.

**Changes to Benefits:**

Effective 1-1-2007, the extra service benefit was changed to 1/40 of normal retirement benefit for each year completed over 20 up to a maximum monthly benefit of \$500. Also, the percentage of accumulated sick days used in the calculation of final average monthly compensation increased to 40%.

Effective 1-1-2009, normal retirement eligibility was changed to 20 years of service with no age requirement.

Effective 1-1-2015, Plan amended to eliminate killed-in-service benefit.

**Changes to Assumptions:**

Effective 1-1-2009, asset smoothing (4-year), pre-retirement death benefits now directly valued, mortality table changed to RP-2000 Combined Healthy Mortality Table projected forward to 2005 with scale AA, and retirement assumption of 20% once 20 years of service with 100% assumed to age 55.

Effective 1-1-2013, mortality improvement and blue-collar adjustment now included.

Effective 1-1-2017, inflation lowered from 3.0% to 2.75%; interest rate lowered from 7.5% to 7.25%; salary increase rate lowered from 5.0% to 4.75%; mortality assumption updated from RP-2000 Combined Healthy Mortality with Blue Collar adj. and 75% Scale AA to RP-2014 mortality with 50% Blue Collar adj. and mortality improvement based on the Social Security Administration's 2015 Demographic Assumptions; disability assumption updated from 60% of the rates from Advance Pension Tables to rates based on the Social Security Administration's 2010 projections of disability incidence; retirement assumption was modified, increasing rates of retirement under age 55.

**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Contributions**  
**Firefighters Pension Plan**

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- employee Payroll	Contributions As a Percentage of Covered- employee Payroll
2008	\$ 79,850	\$ 81,653	\$ (1,803)	\$ 702,840	11.6%
2009	75,251	79,889	(4,638)	-	N/A
2010	73,598	98,339	(24,741)	741,390	13.3%
2011	99,007	107,671	(8,664)	-	N/A
2012	101,786	101,786	-	805,823	12.6%
2013	300,800	300,800	-	-	N/A
2014	255,007	255,007	-	807,829	31.6%
2015	255,310	255,310	-	873,664	29.2%
2016	293,375	293,375	-	940,445	31.2%
2017	298,185	298,185	-	1,039,727	28.7%
2018	318,798	318,798	-	1,161,591	27.4%

See Notes to the Supplementary Schedules for an explanation of changes to benefits and actuarial assumptions.

**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Contributions**  
**Firefighters Pension Plan**

**Notes to the Supplementary Schedules**

The following actuarial methods and assumptions were used in the calculation of actuarially determined contribution rates reported in the supplementary schedules:

Actuarial valuation date	January 1, 2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	7 years aggregate
Asset valuation method	Market Value
Inflation	3.00%
Salary increase	4.5% including inflation
Investment rate of return	6.5% net of investment expenses not funded through the MMO, and including inflation
Mortality	RP-2000 Combined Healthy Mortality table with Blue collar Adjustment and rates set forward 5 years for disabled lives, and rates projected with 75% of scale AA.
Retirement Age:	Normal retirement age, or attained age, if currently eligible to retire

**Changes to Benefits:**

Effective in 2010, compensation base for benefits was changed to the greater of monthly rate of pay at retirement, normal retirement benefit is 50% of final average salary, employee contributions increased to 5.0% and a differentiation was made between service and non-service-related disabilities.

Effective 1-1-2015, a 100% survivor benefit was added, a pre-retirement death benefit was added with 50% of the vested accrued payable immediately or 100% of the accrued payable at normal retirement, a service increment equal to 1/40 of benefit for service over 20 years up to a maximum of \$4,250 a month and employee contributions increased \$2.50 per month per employee.

Effective 1-1-2018, as of January 1, 2020, the retirement eligibility has been reduced from age 55 with 20 years of service to age 50 with 20 years of service. Additionally, for new hires after January 1, 2020, the maximum service increment has been reduced from \$250 a month to \$100 a month.

**Changes to Assumptions:**

Effective 1-1-2007, interest rate lowered to 5.5%.

Effective 1-1-2009, mortality table updated to RP-2000 Combined Healthy Mortality.

Effective 1-1-2011, interest rate lowered to 5.25% and direct value of the pre-retirement death benefits.

Effective 1-1-2013, interest rate increased to 6.50%, no turnover assumed and a morality projection and blue-collar adjustment were included.

**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Investment Ratios**

Annual money weighted return, net of investment expense not funded through MMO.

**Municipal Employees**

2014	7.29%
2015	-0.93%
2016	7.36%
2017	14.63%
2018	-4.45%

**Police**

2014	7.57%
2015	-0.87%
2016	7.46%
2017	14.70%
2018	-4.44%

**Firefighters**

2014	7.73%
2015	1.34%
2016	8.67%
2017	13.97%
2018	-4.70%

**CITY OF WARREN, PENNSYLVANIA**  
**Pension Trusts**  
**Schedules of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	Excess as a % of Covered Payroll ((b-a)/c)
<b>Employee Pension Fund</b>						
1/1/2017	\$ 5,545,250	\$ 5,843,240	\$ 297,990	94.9%	\$ 1,264,036	23.60%
1/1/2015	4,989,306	4,978,245	(11,061)	100.2%	1,160,268	NA
1/1/2013	4,148,734	4,607,336	458,602	90.0%	1,120,583	40.9%
1/1/2011	3,510,531	4,151,305	640,774	84.6%	1,239,358	51.7%
1/1/2009	2,997,482	3,618,059	620,577	82.8%	1,136,096	54.6%
1/1/2007	3,217,048	3,190,995	(26,053)	100.8%	973,143	NA
<b>Police Pension Fund</b>						
1/1/2017	\$ 7,928,591	\$ 7,681,147	\$ (247,444)	103.2%	\$ 784,113	NA
1/1/2015	7,358,838	6,908,001	(450,837)	106.5%	782,344	NA
1/1/2013	6,494,538	6,772,003	277,465	95.9%	864,627	32.1%
1/1/2011	6,152,280	6,346,882	194,602	96.9%	813,673	23.9%
1/1/2009	6,031,216	6,062,150	30,934	99.5%	697,393	4.4%
1/1/2007	7,297,265	5,749,836	(1,547,429)	126.9%	491,614	NA
<b>Firefighters Pension Fund</b>						
1/1/2017	\$ 2,642,410	\$ 3,180,804	\$ 538,394	83.1%	\$ 940,445	57.20%
1/1/2015	1,848,930	2,734,121	885,191	67.6%	807,829	109.6%
1/1/2013	1,062,663	2,115,985	1,053,322	50.2%	805,823	130.7%
1/1/2011	729,441	2,027,225	1,297,784	36.0%	741,390	175.0%
1/1/2009	812,665	1,200,322	387,657	67.7%	702,840	55.2%
1/1/2007	1,000,463	1,261,852	261,389	79.3%	682,214	38.3%

**CITY OF WARREN, PENNSYLVANIA**  
**POSTEMPLOYMENT BENEFITS**  
**OTHER THAN PENSION TRUSTS**  
**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age Normal	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/2017	-	\$ 148,369	\$ 148,369	0%	\$ 54,434	2.72%
01/01/2014	-	439,604	439,604	0%	2,391,807	19.0%
01/01/2011	-	531,979	531,979	0%	2,311,759	23.0%



**CITY OF WARREN, PENNSYLVANIA**  
**Other Post Employment Benefits**  
**Required Supplementary Information**  
**Schedule of Changes in total OPEB Liability**  
**December 31, 2018**

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ -	\$ -
Interest	1,730	5,789
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(24,870)
Changes of assumptions	-	-
Other changes	-	(13,643)
Benefit payments, including refunds of employee contributions	<u>(4,939)</u>	<u>1,847</u>
Net change in total OPEB liability	(3,209)	(30,877)
Total OPEB liability – beginning	<u>148,369</u>	<u>179,246</u>
Total OPEB liability – ending	<u><u>\$ 145,160</u></u>	<u><u>\$ 148,369</u></u>
Covered employee payroll	\$ 54,434	\$ 54,434
Total OPEB liability as a percentage of covered employee payroll	266%	272%

**Notes to the Supplementary Schedules**

There were no significant changes to the assumptions used in calculating the above total OPEB Liability as this was the first-year reporting under GASB 75. No assets are accumulated in a trust for payment of benefits to employees.

## **Other Supplementary Information**

**CITY OF WARREN, PENNSYLVANIA**  
**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual**  
**Parking Fund**  
**For the Year Ended December 31, 2018**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Operating Revenues				
Charges for service	\$ 371,840	\$ 371,840	\$ 467,100	\$ 95,260
Total Operating Revenues	371,840	371,840	467,100	95,260
Operating Expenses				
Salaries and wages	71,351	71,351	68,008	3,343
Employee benefits	21,603	21,603	26,195	(4,592)
Supplies	37,250	37,250	15,858	21,392
Utilities	26,000	26,000	25,372	628
Other	256,640	256,640	91,921	164,719
Depreciation	-	-	263,596	(263,596)
Total Operating Expenses	412,844	412,844	490,950	(78,106)
Operating Income (Loss)	(41,004)	(41,004)	(23,850)	17,154
Non-Operating Revenue (Expense)				
Investment earnings	-	-	445	445
Interest expense	(1,960)	(1,960)	(1,959)	1
Transfers out	(137,748)	(137,748)	(137,746)	2
Total Non-Operating Revenue (Expense)	(139,708)	(139,708)	(139,260)	448
Change in Net Position	(180,712)	(180,712)	(163,110)	17,602
Net Position, Beginning of Year	7,852,282	7,852,282	7,852,282	-
Net Position, End of Year	\$ 7,671,570	\$ 7,671,570	\$ 7,689,172	\$ 17,602

# CITY OF WARREN, PENNSYLVANIA

## Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual

### Sewer Fund

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Operating Revenues				
Charges for service	\$ 1,993,562	\$ 1,993,562	\$ 2,580,982	\$ 587,420
Total Operating Revenues	1,993,562	1,993,562	2,580,982	587,420
Operating Expenses				
Salaries and wages	340,902	340,902	343,876	(2,974)
Employee benefits	145,649	145,649	123,316	22,333
Supplies	111,350	111,350	103,283	8,067
Sludge removal	129,000	129,000	164,823	(35,823)
Utilities	216,450	216,450	172,233	44,217
Other	1,057,856	1,057,856	207,702	850,154
Depreciation / amortization	-	-	655,855	(655,855)
Total Operating Expenses	2,001,207	2,001,207	1,771,088	230,119
Operating Income (Loss)	(7,645)	(7,645)	809,894	817,539
Non-Operating Revenue (Expense)				
Investment earnings	3,000	3,000	87,016	84,016
Interest expense	(200,776)	(200,776)	(200,253)	523
Transfers out	(66,409)	(66,409)	(66,410)	(1)
Total Non-Operating Revenue (Expense)	(264,185)	(264,185)	(179,647)	84,538
Change in Net Position	(271,830)	(271,830)	630,247	902,077
Net Position, Beginning of Year	13,341,010	13,341,010	13,341,010	-
Net Position, End of Year	\$ 13,069,180	\$ 13,069,180	\$ 13,971,257	\$ 902,077

# CITY OF WARREN, PENNSYLVANIA

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2018

	Capital Improvement Program Fund	Highway Aid	Glade Run Escrow	Community Development Block Grant	Debt Service	Total Nonmajor Governmental Funds
ASSETS						
Cash and cash equivalents	\$ -	\$ 319,074	\$ 11,511	\$ -	\$ -	\$ 330,585
Intergovernmental receivable, net	120,283	-	-	-	-	120,283
Total Assets	<u>\$ 120,283</u>	<u>\$ 319,074</u>	<u>\$ 11,511</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450,868</u>
LIABILITIES						
Accounts payable	\$ 23,288	\$ -	\$ -	\$ -	\$ -	\$ 23,288
Interfund payable	96,995	-	-	-	-	96,995
Deferred revenue	-	-	-	-	-	-
Total Liabilities	<u>120,283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,283</u>
FUND BALANCE						
Restricted:						
Liquid fuels	-	319,074	-	-	-	319,074
Committed						
Glade floodway	-	-	11,511	-	-	11,511
Total Fund Balance	<u>-</u>	<u>319,074</u>	<u>11,511</u>	<u>-</u>	<u>-</u>	<u>330,585</u>
Total Liabilities and Fund Balance	<u>\$ 120,283</u>	<u>\$ 319,074</u>	<u>\$ 11,511</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450,868</u>

**CITY OF WARREN, PENNSYLVANIA**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2018**

	Capital Improvement Program Fund	Highway Aid	Glade Run Escrow	Community Development Block Grant	Debt Service	Total Nonmajor Governmental Funds
REVENUES						
Intergovernmental	\$ 49,050	\$ 311,041	\$ -	\$ 164,716	\$ -	\$ 524,807
Interest, rents and royalties	-	9,750	7	6	-	9,763
Other	5,000	-	-	-	-	5,000
Total Revenues	54,050	320,791	7	164,722	-	539,570
EXPENDITURES						
Community development	642,148	-	-	19,951	-	662,099
Debt service	-	-	-	144,771	243,340	388,111
Total Expenditures	642,148	-	-	164,722	243,340	1,050,210
Excess of revenues over expenditures	(588,098)	320,791	7	-	(243,340)	(510,640)
OTHER FINANCING SOURCES (USES)						
Transfers in	588,098	-	7,500	-	243,340	838,938
Transfers out	-	(312,722)	-	-	-	(312,722)
Total Other Financing Sources (Uses)	588,098	(312,722)	7,500	-	243,340	526,216
Net Change in Fund Balance	-	8,069	7,507	-	-	15,576
Fund Balance, Beginning of Year	-	311,005	4,004	-	-	315,009
Fund Balance, End of Year	\$ -	\$ 319,074	\$ 11,511	\$ -	\$ -	\$ 330,585

**CITY OF WARREN, PENNSYLVANIA**  
**Combining Schedule of Fiduciary Net Position**  
**Pension Trusts**  
**December 31, 2018**

	Firefighter Pension	Police Pension	Non-Uniform Employee Pension	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 50,132	\$ 31,729	\$ 81,861
Investments	<u>3,533,786</u>	<u>7,522,036</u>	<u>5,430,157</u>	<u>16,485,979</u>
Total Assets	<u>\$ 3,533,786</u>	<u>\$ 7,572,168</u>	<u>\$ 5,461,886</u>	<u>\$ 16,567,840</u>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ -</u>	<u>\$ 339</u>	<u>\$ 797</u>	<u>\$ 1,136</u>
Total Liabilities	<u>-</u>	<u>339</u>	<u>797</u>	<u>1,136</u>
<b>NET POSITION</b>				
Net position held in trust for pension	<u>3,533,786</u>	<u>7,571,829</u>	<u>5,461,089</u>	<u>16,566,704</u>
Total Net Position	<u>3,533,786</u>	<u>7,571,829</u>	<u>5,461,089</u>	<u>16,566,704</u>
Total Liabilities and Net Position	<u>\$ 3,533,786</u>	<u>\$ 7,572,168</u>	<u>\$ 5,461,886</u>	<u>\$ 16,567,840</u>

**CITY OF WARREN, PENNSYLVANIA**  
**Combining Schedule of Changes in Fiduciary Net Position**  
**Pension Trusts**  
**For the Year Ended December 31, 2018**

	Firefighter Pension	Police Pension	Non-Uniform Employee Pension	Total
Additions:				
Contributions				
Employer	\$ 318,798	\$ 183,505	\$ 193,392	\$ 695,695
Plan members	48,304	19,727	24,575	92,606
Total	367,102	203,232	217,967	788,301
Investment income (loss), net	(159,269)	(360,541)	(259,726)	(779,536)
Total Additions	207,833	(157,309)	(41,759)	8,765
Deductions:				
Benefits	-	550,436	363,384	913,820
Management expense	16,874	20,536	20,873	58,283
Total Deductions	16,874	570,972	384,257	972,103
Change in Net Position	190,959	(728,281)	(426,016)	(963,338)
Net Position, Beginning of Year	3,342,827	8,300,110	5,887,105	17,530,042
Net Position, End of Year	<u>\$ 3,533,786</u>	<u>\$ 7,571,829</u>	<u>\$ 5,461,089</u>	<u>\$ 16,566,704</u>





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FELIX & GLOEKLER, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the City Council  
City of Warren, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Warren, Pennsylvania as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Warren, Pennsylvania's basic financial statements, and have issued our report thereon dated June 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Warren, Pennsylvania's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Warren, Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Warren, Pennsylvania's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*  
(Continued)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Warren, Pennsylvania's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Felix and Gloekler, P.C.

June 25, 2019  
Erie, Pennsylvania